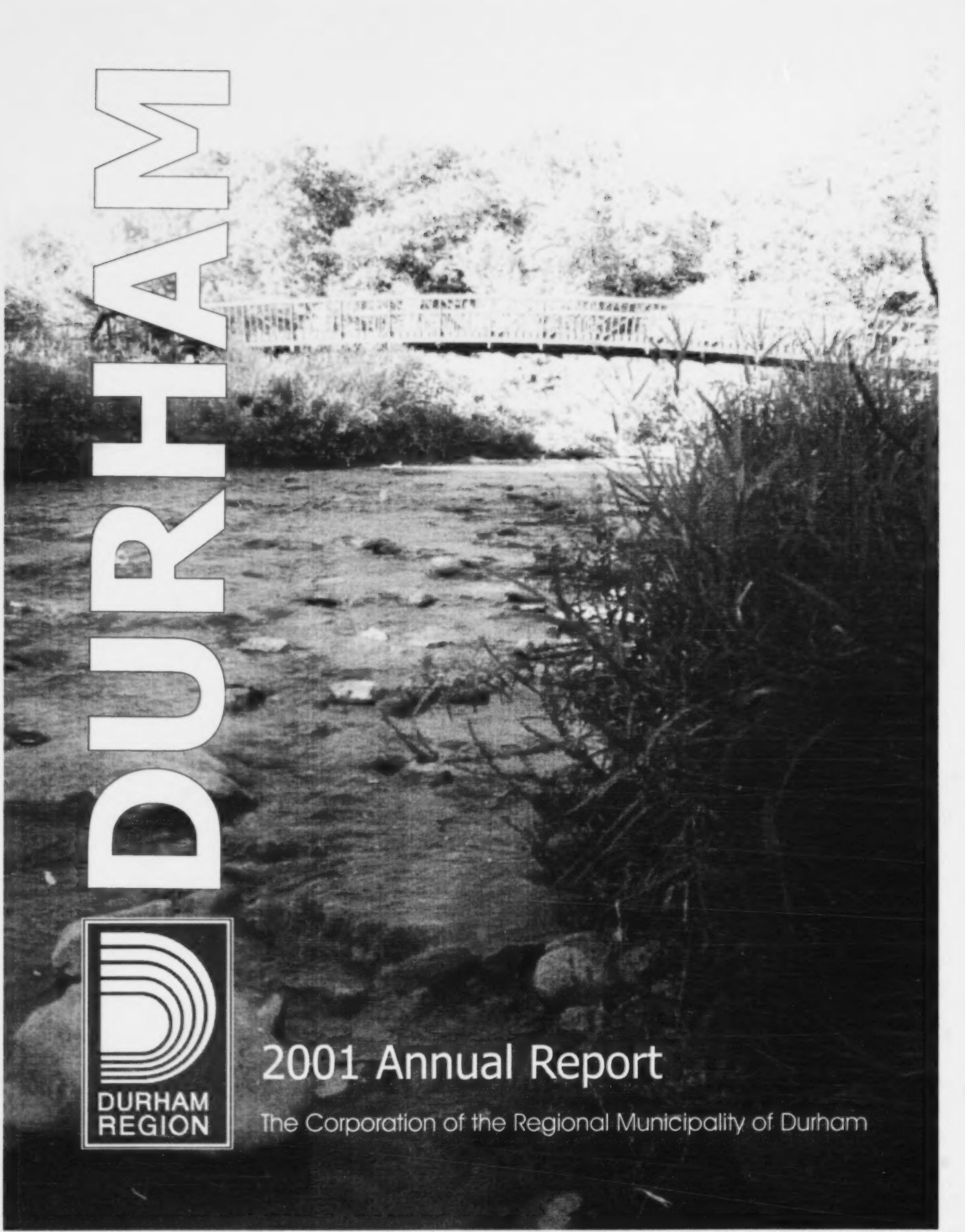
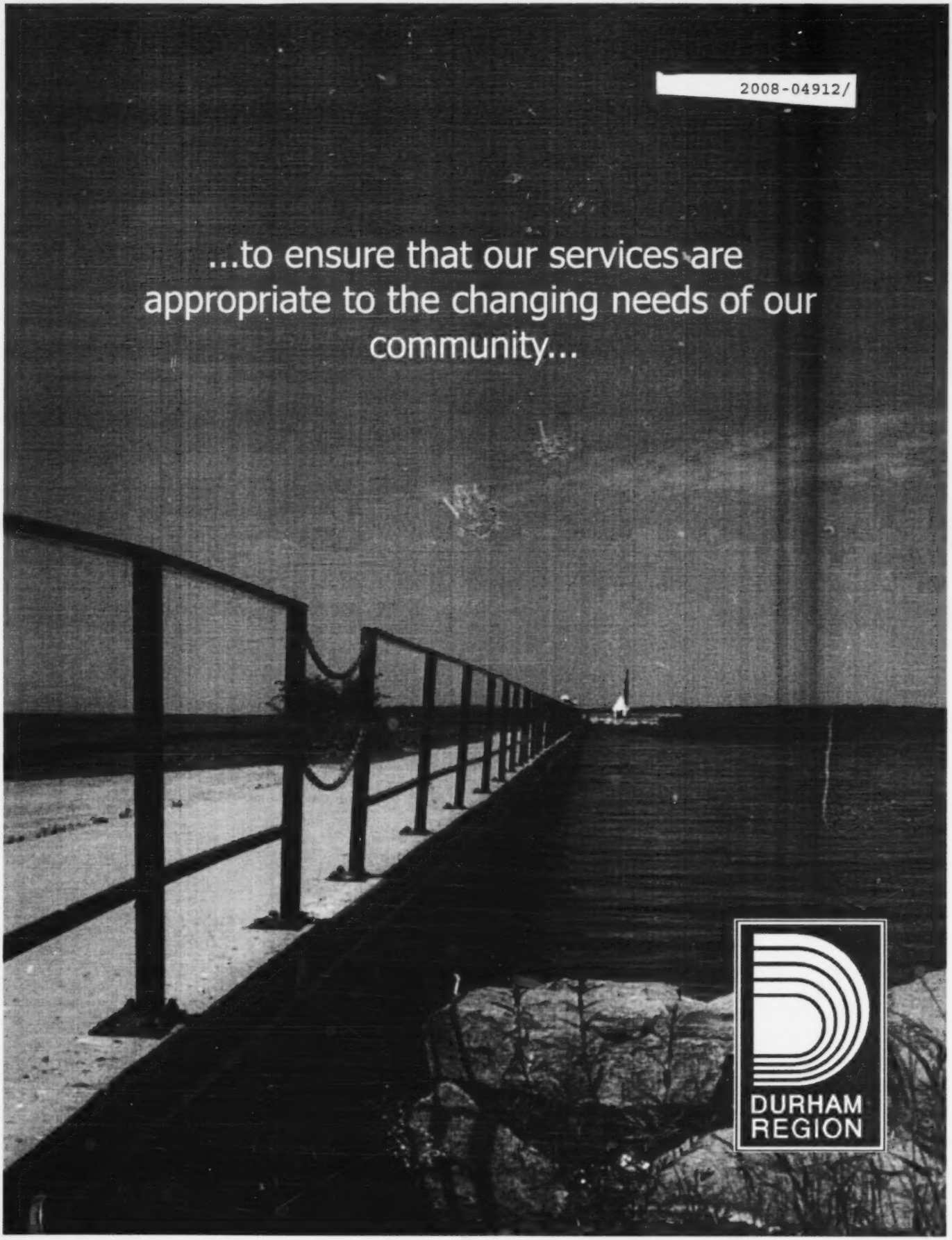
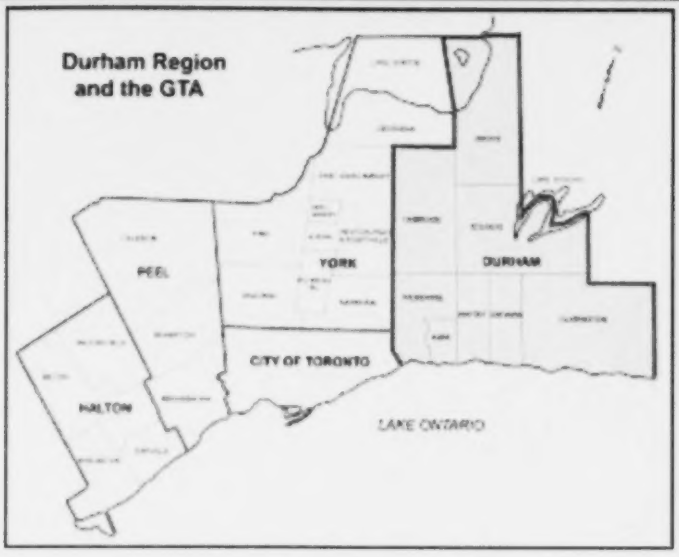


2001 Annual Report

The Corporation of the Regional Municipality of Durham

2008-04912/


...to ensure that our services are appropriate to the changing needs of our community...
DURHAM
REGION



Report Prepared by:

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of the
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L1H 8B6

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Facsimile: **(905) 571-7460**

Additional information is available on-line:

- **Regional Government (Structure, Roles and Responsibilities)**
- **Municipal Performance Measurement Program Results**
- **Departmental Information**
- **Service Information and Updates**
- **Business and Economic Development News**
- **Tourism Information**
- **News**

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www.region.durham.on.ca

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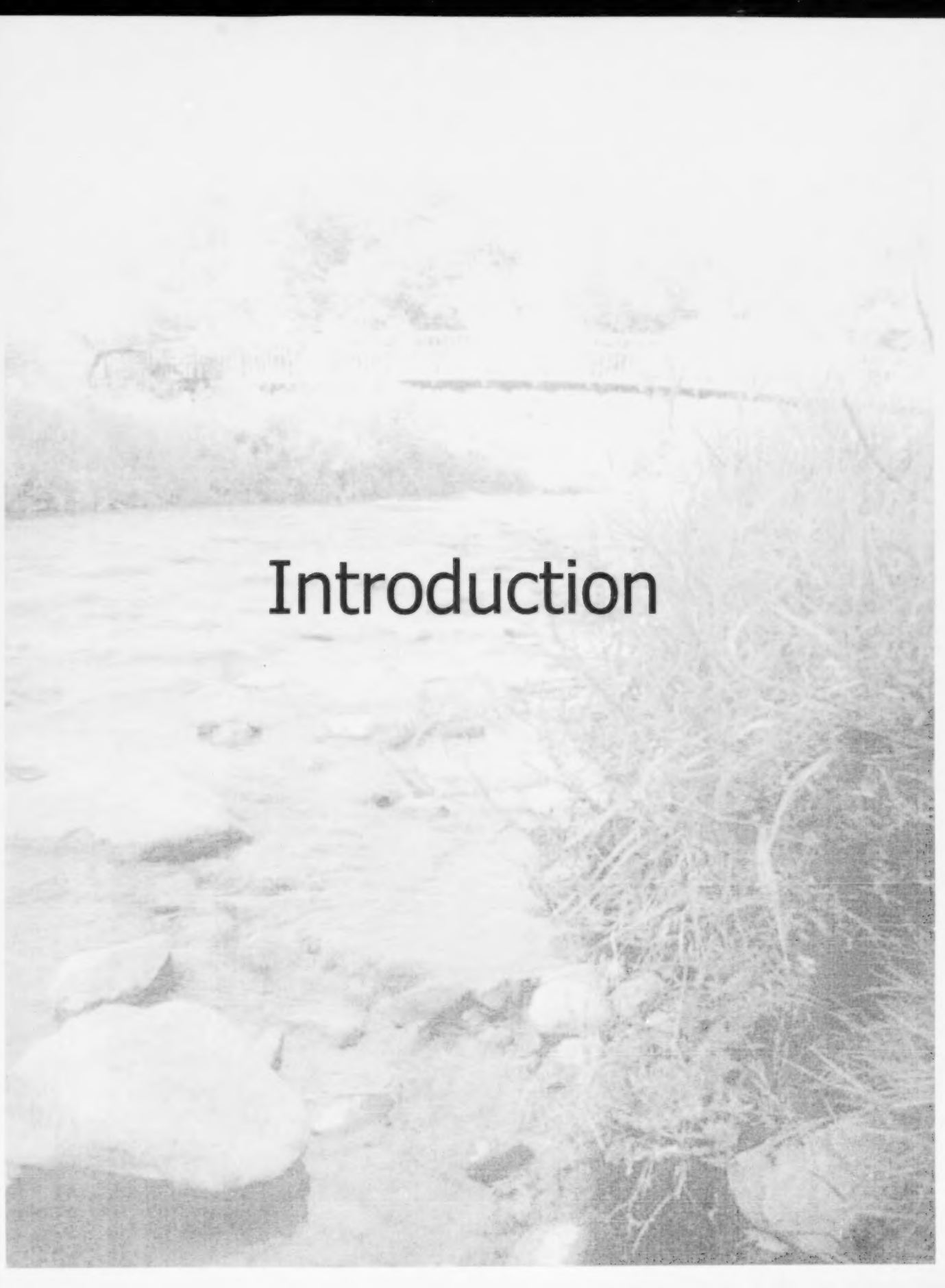


Introduction

Regional Profile

On January 1, 1974, the Regional Municipality of Durham was created by the Regional Municipality of Durham Act, 1973. The Region works in various partnerships with its eight area municipalities to deliver efficient and high quality services to its residents. The municipalities that comprise the Region of Durham are the City of Oshawa, the City of Pickering, the Town of Ajax, the Town of Whitby, the Municipality of Clarington, and the Townships of Uxbridge, Scugog, and Brock.

Durham is located in the economic centre of Ontario, immediately east of the City of Toronto, Canada's commercial and financial centre and largest city. The area in which Durham is situated is known as the Golden Horseshoe, an economic powerhouse stretching around the western end of Lake Ontario to Durham's eastern boundary, the Municipality of Clarington. The Region shares prime access to the Great Lakes and the north eastern markets of the continent, encompassing close to 120 million people.

Durham covers a geographical area exceeding 2,471 square kilometres (954 square miles). The Region has experienced rapid growth in the residential, commercial and industrial sectors over the previous decade. According to the 2001 Census by Statistics Canada, the Region's population grew approximately 10.5 percent, or 48,300 persons, over the 1996 to 2001 period, surpassing the 500,000 mark. The Durham Census Division ranks fifth in Ontario and eleventh nationally in total population compared to other regions, counties and large cities.

The Region has long been known for the strength of its manufacturing sector, located primarily in the south. The northern portion of the Region encompasses numerous headwaters and the rolling hills and hollows of the Oak Ridges Moraine. In addition to bountiful farmlands, you will find the prime recreational lake-lands of Simcoe and Scugog. Excellent transportation networks, public utilities and social infrastructure support the mix of urban and rural lifestyles in the Region of Durham.

Message from the Regional Chair

The year 2001 proved to be both challenging and rewarding for Durham Region. Despite a slowing global economy, regional economic activity during the year remained strong, although less than the banner year experienced in 2000. The need to ensure that our infrastructure and servicing requirements are being met will challenge Durham Region as never before to plan for the long-term.

Investment in improved infrastructure is key to keeping our Region competitive. In 2001, the Region continued to support many infrastructure projects that will yield social and economic benefits for years to come. One of the largest projects underway is the improvement of Highway 401 through Ajax, which includes the construction of a new interchange. Hundreds of acres of land are situated on either side of the highway around this interchange, and this will open up many new opportunities for development. Similar Highway 401 interchanges are planned in Whitby and Oshawa. The Highway 407 project, which was completed in the summer of 2001 to Brock Road in the City of Pickering, will provide the infrastructure necessary to draw economic growth eastward into Durham, including new people, business, employment opportunities and assessment growth.

The contamination of Walkerton's water supply brought the issue of municipal water safety to the forefront for all Ontario municipalities. Durham Region continues to accelerate its water and waste water infrastructure maintenance program. Necessary upgrades are completed long before any safety issues develop and the Region will continue to be proactive with respect to ensuring safe and efficient water and sanitary sewer operations.

Many new developments, such as the creation of the University of Ontario Institute of Technology, mark the beginning of a great new era for Durham. The University will distinguish itself most through technology-based programs intended to meet the needs of Durham's increasingly diversified economy. In addition, the Municipality of Clarington in Durham Region has been selected as Canada's proposed site to host the International Thermonuclear Experimental Reactor (ITER). If Canada's bid is awarded the research facility, the project is expected to generate billions of dollars in economic developments and technological spin-offs for the country and the Region of Durham.

With confidence, I can say that Regional Council and Regional staff remain committed to the provision of efficiently delivered high quality services for the residents of Durham. The investments we make in our infrastructure today promote economic growth and prosperity for our communities well into the future.

Roger M. Anderson
Regional Chair

Message from the Chief Administrative Officer

During 2001, Regional staff continued to provide quality programs and services to its taxpayers through careful planning and diligent management. More specifically, 2001 continued the focus on adopting downloaded services, new regulations and an increased focus on public accountability.

Since acquiring full responsibility for Emergency Medical Services from the Province in 2000, major improvements to the service were required to maintain performance standards set by the Province and to meet future growth needs. During 2001, the Region implemented a Region-wide Advanced Life Support (Level 2) paramedic service, which was previously only available in the City of Oshawa. Approximately fifty paramedics received Level 2 training, bringing 65% of the Region's paramedics to the advanced life support level.

Regional staff worked arduously throughout 2001 to ensure a smooth, two-stage transfer of Social Housing services from the Province. The first stage involved the transfer of both administration and ownership of the provincially owned public housing stock to the Region of Durham on January 1, 2001. The second stage, which is scheduled to take place February 1, 2002, includes the transfer of remaining federal and provincial non-profit programs and a small number of private rent supplement units. The new operation includes 6,867 housing units, including 466 units under the rent supplement program.

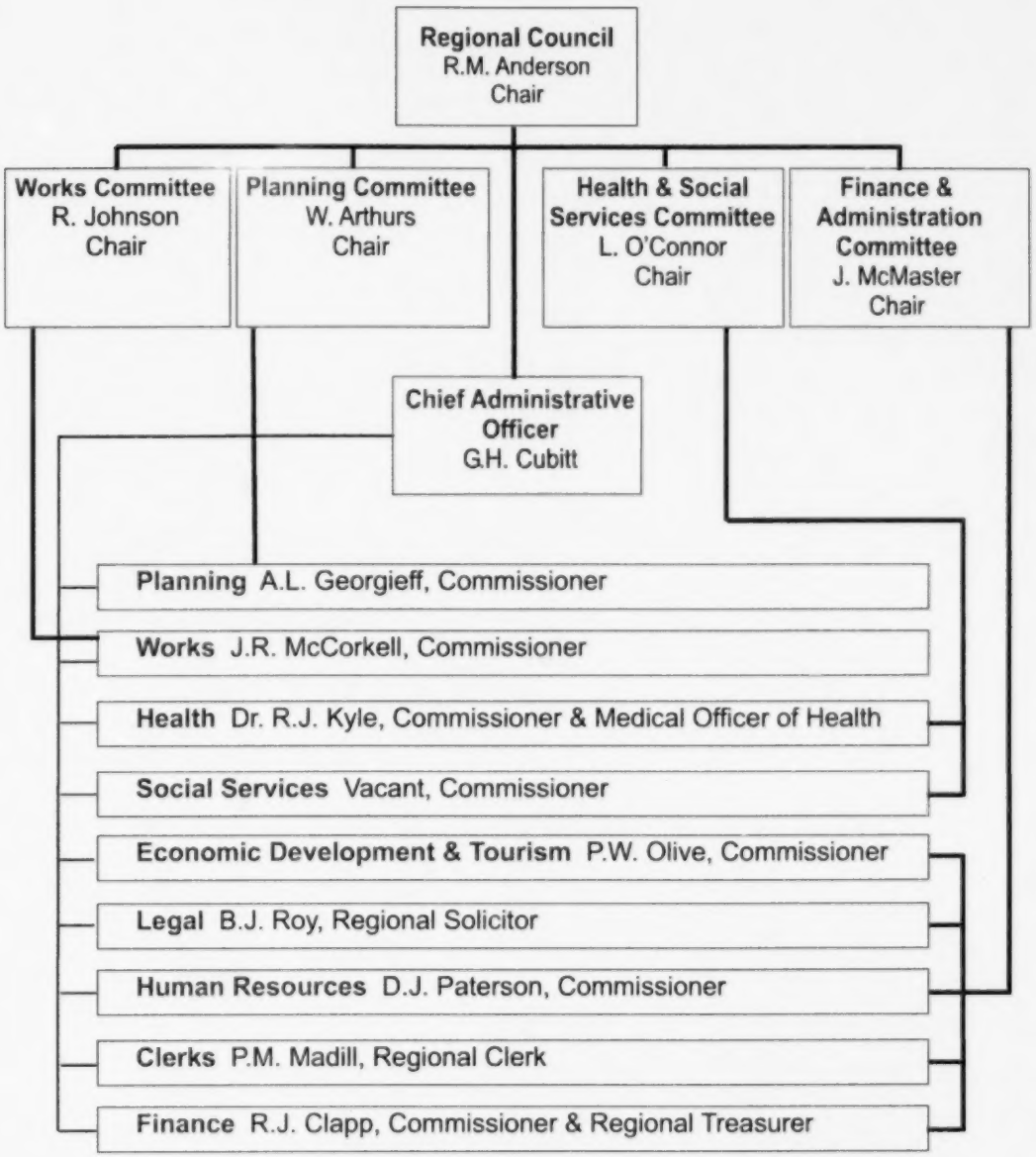
The new Hillsdale Estates home for the aged in the City of Oshawa is under construction. The new 260,000 square foot 300-bed home will replace the old Hillsdale Manor and provide a state of the art facility for our seniors. Construction will be completed in 2002.

Durham Region continues to work with its eight area municipalities to seek out new and improved ways of delivering quality services and value to its residents. Regional staff are committed to leading the way in achieving our goals and continue to anticipate the needs of Durham's taxpayers. We are poised to manage record growth in Durham through proactive planning and will continue to ensure effective use of Regional resources on behalf of Regional taxpayers.

Garry H. Cubitt, MSW
Chief Administrative Officer

DURHAM'S MANAGEMENT AND REPORTING STRUCTURE

STANDING COMMITTEES AND REGIONAL ADMINISTRATION



——— Indicates policy development responsibility
——— Indicates staff administrative responsibility

Regional Council

In November 2000, a new Regional Council was elected to serve constituents over the 2001 to 2003 period.

Durham Regional Council and Senior Staff, 2001 - 2003

FRONT ROW: Councillor J. Mutton, Councillor D. Moffatt, Councillor S. Parish, Councillor N. Diamond, Regional Chair R. Anderson, Councillor T. Clayton, Councillor W. Arthurs, Councillor G.L. O'Connor, Councillor M. Brunelle.

MIDDLE ROW: Councillor G. Emm, A.L. Georgieff (Commissioner of Planning), Councillor J. Schell, Councillor J. McMaster, Councillor R. Johnson, Councillor N. Pidwerbecki, Councillor M. Brenner, Councillor S. Para, Councillor J. Drumm, Councillor P. Perkins, J.R. McCorkell (Commissioner of Works), G.H. Cubitt (Chief Administrative Officer), Dr. R. J. Kyle (Commissioner and Medical Officer of Health), P.M. Madill (Regional Clerk).

BACK ROW: R.J. Clapp (Commissioner of Finance and Treasurer), B.J. Roy (Regional Solicitor), Councillor W. Young, Councillor C. Aker, Councillor C. Clarke, Councillor K. Carruthers, Councillor L.O'Connor, Councillor J. Neal, Councillor M. Holland, Councillor J. Gray, Councillor S. Crawford, Councillor C. Trim, Councillor B. Boychyn.

ABSENT: D. Paterson (Commissioner of Human Resources), P.W. Olive (Commissioner of Economic Development and Tourism).

Regional Headquarters in Whitby

Durham's Homes for the Aged

The Old and the New Hillsdale Manor, Oshawa

Fairview Lodge, Whitby

Lakeview Manor, Beaverton

Message from the Commissioner of Finance & Treasurer

It is my pleasure to present the 2001 Financial Report of the Regional Municipality of Durham and to comment on economic and financial accomplishments and anticipated future challenges.

During the last several years, the Region has experienced significant increases in economic activity. Steady population growth continues to promote housing construction and encourage strong building activity throughout the Region. Despite the horrific events of September 11, the adverse impacts on the local economy proved not as severe as expected. After several years of economic prosperity, Durham Region has been in a good position to weather an economic downtown, in part due to increasing sector diversification and an auto sector that has chosen to significantly invest in its Durham plants.

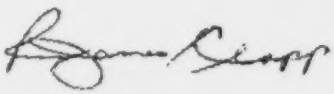
The Region of Durham continues its long-standing commitment to long-term financial planning and sound fiscal policies. Our "pay-as-you-go" financing philosophy, low levels of debt issuance, strong reserve and reserve fund strategies and a "growth-pays-for-growth" development charges policy provide a solid foundation for the Region's healthy capital financing structure. We are well positioned to address many financial challenges, including the financing of significant new Provincially downloaded responsibilities and the provision of additional operating and capital funding for the renewal and/or expansion of existing infrastructure and services.

Durham's financial strengths have been recognized by both Standard and Poors and Moody's Investors Service, who reaffirmed the Region's "AAA" credit rating. This highest rating category places Durham in a select group of municipalities with an exemplary reputation in the investment community and who are seen as leaders in fiscal responsibility and integrity.

Strengthening municipal accountability to the taxpayers is paramount to the Region of Durham's Corporate Strategic Plan. Commencing in 2001, the Region, along with other municipalities of Ontario, has been required to comply with the guidelines established by the Municipal Performance Measurement Program, a program designed by the Province to require municipal governments to report on measures that reflect the efficiency and effectiveness of public services. Based on the information obtained by these measures, municipalities will be able to make decisions that will improve local services and allow them to monitor ongoing performance to assist in the planning for the future of communities. Durham Region endorses these guidelines and is also an active member in the Ontario Municipal Benchmarking Initiative, a voluntary project which serves to identify and share best practices of service efficiency and quality in Ontario Municipalities.

The Region of Durham maintains internal administrative and accounting controls to ensure that financial information is reliable and relevant and that the Region's assets are safeguarded. The financial statements herein have been prepared in accordance with accounting policies that conform to local government accounting standards established by the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants. Where the determination of assets and liabilities is dependent upon future events, amounts are based upon reasonably determined estimates and judgements.

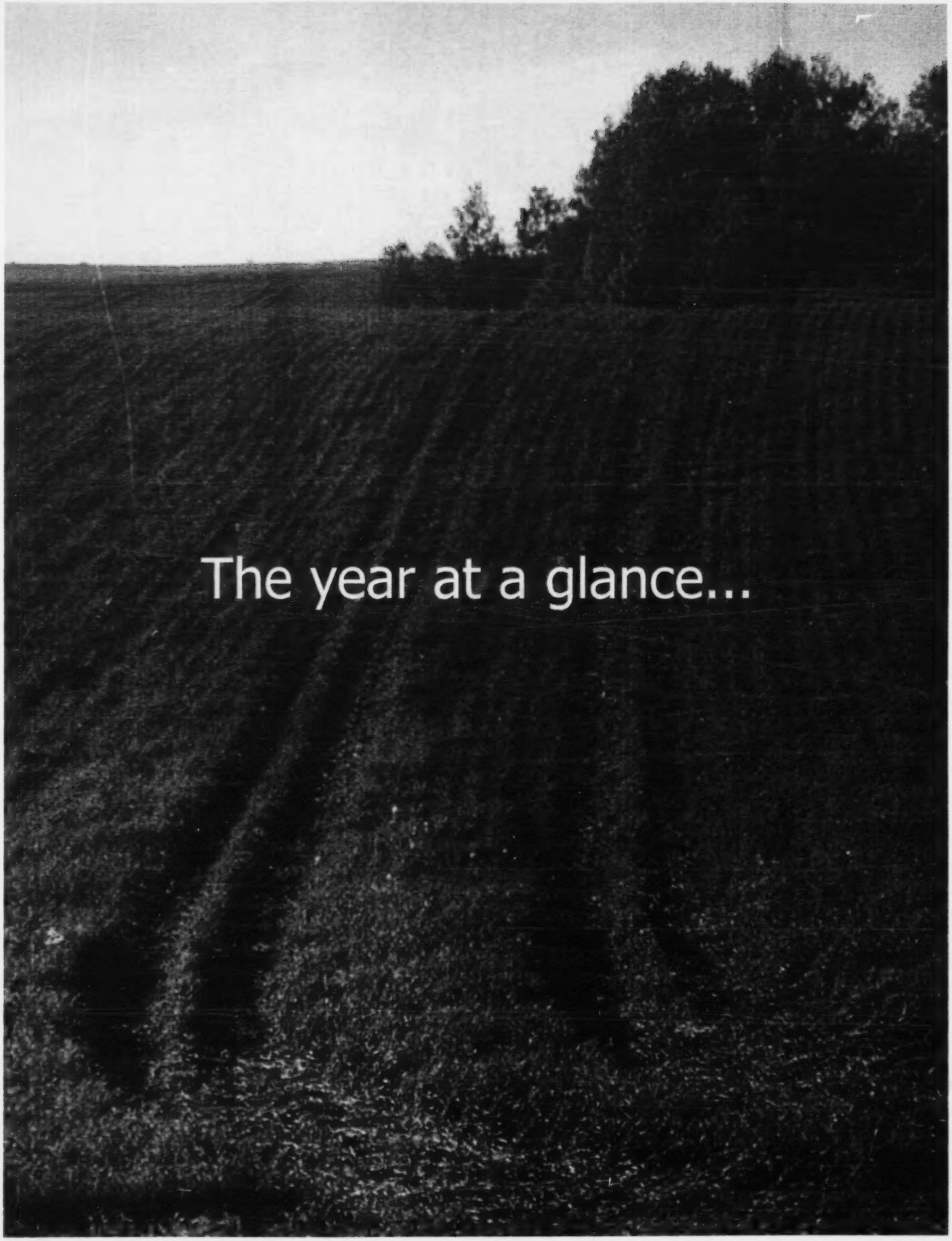
The Region is required by the Municipal Act to engage independent auditors to express an opinion as to whether our financial statements present the Region's financial position and operating results fairly in all material respects. Deloitte and Touche LLP has fulfilled this audit function as evidenced by the audit reports included in this document.

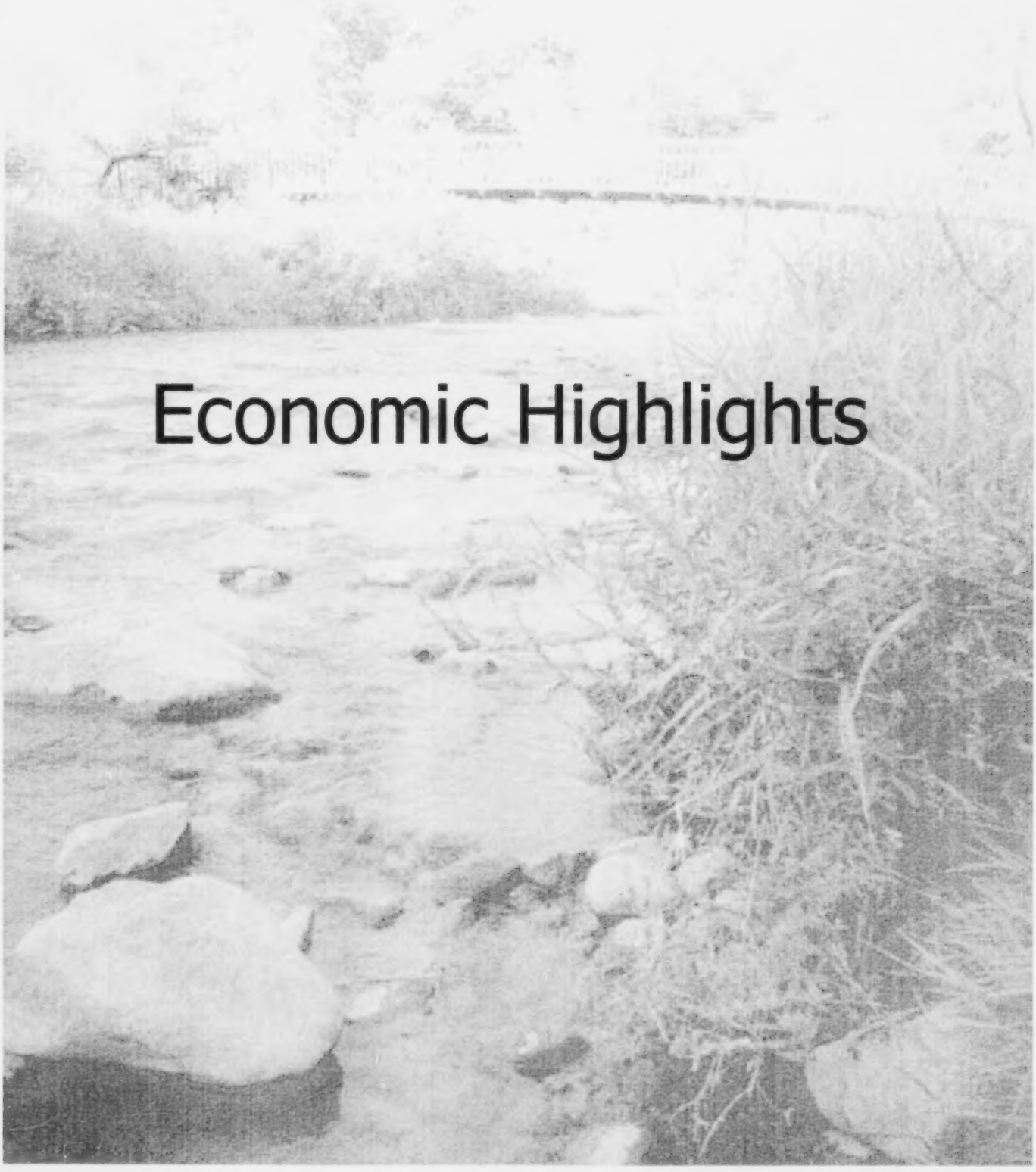


R.J. Clapp, CA
Commissioner of Finance and Treasurer

The Region of Durham's Financial Management Team

Chief Administrative Officer	G.H. Cubitt, MSW
Finance Department	R.J. Clapp, CA Commissioner of Finance and Treasurer
	P.N. Richards, BBA, MBA Director of Budgets, Economic Studies and Risk Management
	M.E. Simpson, BA, MA Director of Special Projects and Financial Planning
	D.W. Beaton, BAS Director of Information Management Services
	J.M. Cermak, CA Director of Financial and Utility Services
	R.A. Crystal, CMA Manager of Accounting
	J.S. Lorne, CET, MBA Manager of Supply and Services
	R.D. Siblock, CMA Manager of Utility Finance
Auditor	Deloitte & Touche LLP Chartered Accountants
Banker	The Royal Bank of Canada
Fiscal Agents	RBC Dominion Securities Inc. CIBC World Markets


The year at a glance...



Economic Highlights

The Economy

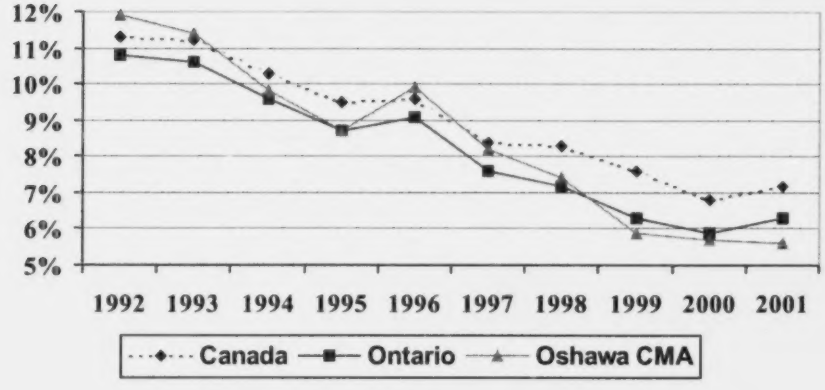
Durham's economy registered steady positive growth in 2001, despite pressures from weakening North American economies. While the value of building permits declined by approximately 11% due to an unusually strong year of non-residential permits issued in 2000, the unemployment rate fell further in 2001, remaining below the Ontario and Canadian averages. In addition, the rate of population growth increased to a rate equivalent to approximately 14,800 persons per year, a rate of growth not seen since the early 1990s.

Growth of the North American economies is expected to recover by mid 2002 and remain positive throughout the year. Many new and potential developments highlighted during 2001 can only serve to encourage new economic growth and prosperity for the Region in the years ahead.

Unemployment Rates

The Regional economy's strength is demonstrated by a declining unemployment rate. By the end of 2001, the unemployment rate in the Oshawa Census Metropolitan Area (CMA) had fallen to 5.6%, well below the Provincial and Canadian averages of 6.3% and 7.2% respectively. The Oshawa CMA boasts one of the lowest unemployment rates for CMA's across Canada.

UNEMPLOYMENT RATES 1992 TO 2001



SOURCE: Statistics Canada

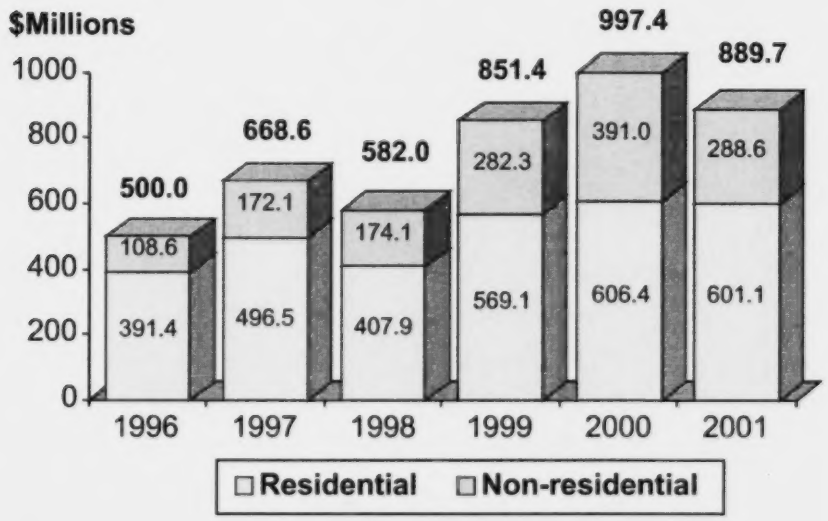
Building Permits

Building permit information is an indicator of housing construction activity and respective employment, providing insight into the amount of local investment, consumer confidence and economic performance.

The strength of the Region's communities is reflected in the value of permits issued. The Region of Durham has experienced a significant rise in building permit activity in each of the last three years when compared to its10-year historical average of $636.6 million. This strong trend is evident in both residential and non-residential sectors.

In 2001, total building permit value exceeded the historical building permit average experienced since 1991 by 39.8%. However, the value of building permits issued in Durham decreased by 10.8%, from $997.4 million in 2000 to $889.7 million in 2001. This decrease is largely attributed to a fall in value of non-residential permits in 2001.

VALUE OF BUILDING PERMIT ACTIVITY 1996 TO 2001



Durham's share of the total GTA building permit value decreased slightly by 0.6%, from 10.6% in 2000 to 10.0% in 2001. The overall value of the permits issued in the GTA decreased from $9.5 billion in 2000 to $8.9 billion in 2001.

The value of residential permits leveled off in 2001 relative to the previous year, yet this level still reflects exceptional employment growth and consumer confidence in the Regional economy. The value of residential permits marginally decreased by 0.9% from $606.4 million in 2000 to $601.1 million in 2001.

Building Permits (continued)

The number of residential units for which permits were issued decreased from 4,495 units in 2000 to 4,159 in 2001.

Durham's strong non-residential building activity is evidenced by the significant floor space additions in the industrial, institutional and commercial sectors in 2001, including:

- Institutional permits issued to Durham College (Oshawa), Lakeridge Health (Oshawa), Durham District School Board (Oshawa);
- Industrial permits issued to Johnson Controls Ltd. (Whitby), Hoopp Realty Inc. (Pickering); and,
- Commercial permits issued to Wal-Mart (Oshawa, Pickering), Home Depot Inc. (Oshawa) and Ontario Power Generation (Pickering).

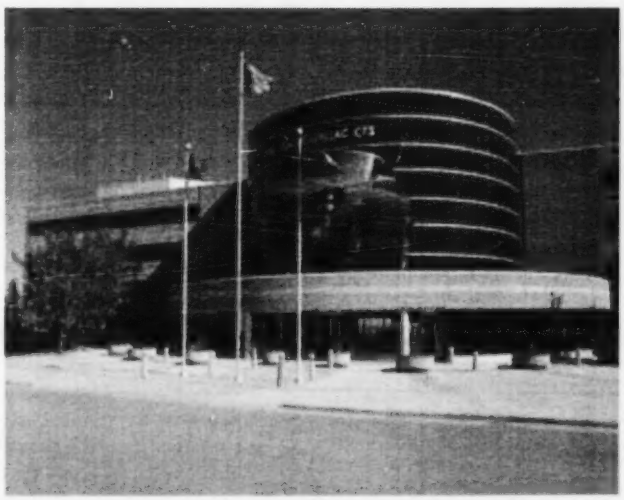
Economic Developments

The Automotive Industry

Canadian automotive industry sales climbed to record levels in 2001, despite the sector's attempt to slow production in response to a waning United States' economy.

Durham's largest employer, General Motors of Canada Limited, which has a long established and highly regarded manufacturing operation and Canadian headquarters in Oshawa, continued on its course to transform its Oshawa plants into a magnet for capital investment. Over the past decade, GM has poured $6 billion into Oshawa, entrusting it with the launch of its all-important full-size trucks and establishing a regional engineering centre, which opened in June. The $20 million facility added 160 new high tech engineering and skilled trades jobs in 2001 and an additional 70 employees will be added during 2002. The Centre is expected to expand on its expertise with cold-weather testing and become a key centre for alternative-fuel vehicle development.

In addition, the company had also announced several additional Canadian investments, including $100 million for a new press line and the refurbishment of two existing press lines at the Oshawa Metal Centre.



General Motors Headquarters

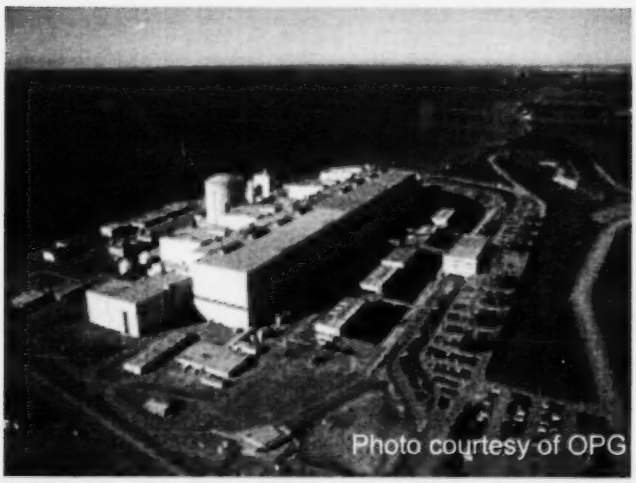
Economic Developments (continued)

The low Canadian dollar, lower wages and benefits (relative to the United States) and national health care for Canadian autoworkers translate into a cost advantage, which positions the Oshawa plants to be a key driver of GM's North American renaissance in 2002 and beyond.

Other major auto-related developments include the following:

- Johnson Controls Ltd., a major U.S. based Tier 1 supplier to GM, completed construction of a manufacturing facility in Whitby, generating 425 new jobs;
- ATL Industries and its sibling company, Martec Technologies Division, moved from Scarborough to Uxbridge. The company manufactures brake caliper pistons for cars and light trucks; and,
- International Parts Delivery Systems, which manufactures automotive parts containers to carry materials along assembly lines, expanded their manufacturing operation, creating 50 new positions.

Given the level of capital investment from the automotive industry in Canada in 2001, the year 2002 looks to be promising in terms of innovation, research and development and production. The Canadian industry has significantly increased its competitiveness over the previous decade and is in a strong position to weather any economic downturn. Canadian auto assembly plants have relatively high productivity and low unit costs with the Oshawa facilities consistently ranking in the top 10 in North America in terms of productivity.



Darlington Nuclear Station

Ontario Power Generation

Ontario Power Generation (OPG) is an Ontario-based company whose principal business is the generation and sale of electricity to customers in Ontario and in interconnected markets.

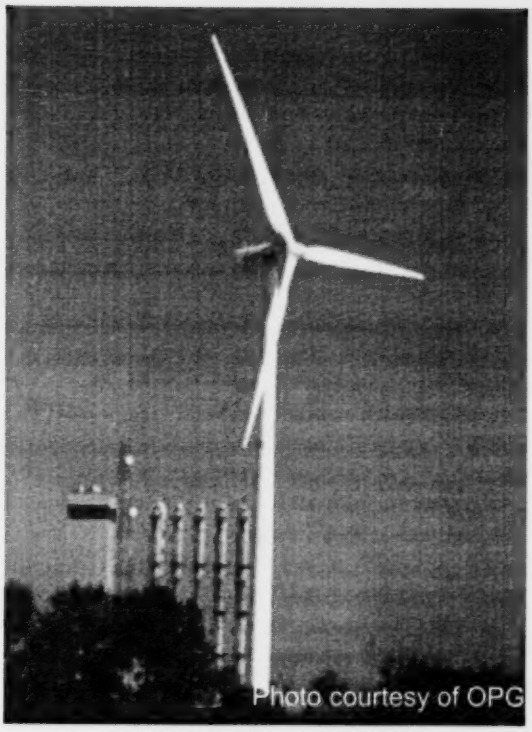
The company has two nuclear generating facilities in Durham, one located in the Municipality of Clarington and the other in the City of Pickering. Together these nuclear stations provide a large portion of the Province's energy supply.

Economic Developments (continued)

OPG continues to be a driving force in the Region's economy, currently employing approximately 4,500 people at the Pickering and Darlington stations, with most living in the Region. OPG also partners with local businesses and is a major employer of the local construction trades.

Durham is now also home to North America's largest and most powerful wind turbine, the Pickering Wind Generating Station, which has become a landmark on the Pickering waterfront. The project is part of OPG's commitment to producing green energy and is a visible symbol of the importance of the Region as a major energy centre, where new projects are welcomed.

OPG's presence in Durham Region will be enhanced as a result of a Corporate Structure Review, which was completed in 2001. Based on the review, the company will relocate many head office nuclear support staff to Durham Region from their Toronto facilities, adding to its employment in the Region and benefiting the local economy.



Pickering Wind Generating Station

In 2001, OPG became a major tenant of the new Picore building on the Pickering Parkway, which is now the home of its New Horizons information technology group. OPG plans to move into its new 100,000-square-foot building in Pickering in January of 2002. The company is also currently in the process of doubling the size of its training force and will add 80,000 square feet to the Pickering Nuclear Training Facility.

ITER Canada

In June 2001, Canada submitted an Expression of Interest to host a $12 billion international fusion energy research and development centre called "ITER." The word ITER is Latin for "the way," a reference to the path taken by the international science community towards development of a new cleaner energy source for the future.

While France, Japan and Spain are also bidding to host the project, the ITER Canada bid is seen as particularly strong, primarily due to benefits from the proposed Canadian site in the Municipality of Clarington at the eastern end of the Region.

Economic Developments (continued)

Not only does Canada satisfy all ITER criteria for site selection and project operation, Canada's bid benefits from the following advantages:

- Public support from the government, utility, education, industry and labour sectors;
- A licensing regime that already includes fusion facilities;
- A developed low cost site adjacent to OPG's Darlington nuclear facility;
- A developed transportation infrastructure with great access to the site;
- First class amenities for international scientists and their families, who would move to the Region, following a successful bid from ITER Canada; and,
- The world's only major source of tritium, the fuel source for ITER, which is stored at the OPG generating station at the Darlington nuclear power plant.

ITER Canada is a non-profit corporation committed to locating the ITER project in Canada. It was established in 1997 with members from industry, governments, labour and the education sector. ITER Canada's work to bring the project to Canada is funded by commitments of $1 million per year for three years from each of the federal and Ontario governments and $2 million per year from OPG over the same period.

ITER has also received well in excess of $5 million per year from member corporations, primarily as in kind donations. The bid is also made possible by $22.5 million in new funding from the private sector and labour members. These funds will be used to finance the licencing and design work required to win the ITER project.

Should the ITER Canada bid be selected, it is expected that the project will be a source of major employment for over 30 years. It will provide 2,000 construction jobs for 10 years commencing in 2003, plus approximately 800 scientists and support staff positions for another 20 plus years. Overall the project is expected to provide 68,000 person years of new employment. The project will provide a notable "brain gain" with 250 scientists and their families moving to the area from around the world.

ITER is expected to inject hundreds of millions of dollars annually into the local economies and will provide tax advantages for all levels of government, including additional assessment for Clarington and the Region. The project would include a major power plant plus ten buildings, including a 1,500 square metre office building. ITER would also provide access for Canadian industry and universities to cutting-edge fusion technologies. The decision on the host site for the energy research project is expected no earlier than late 2002.

Education

Photo courtesy of Durham College

Over 9,000 people were employed in Durham's education sector in 2001, primarily working for the public and separate school boards.

Continuing on its path of excellence, Durham College serves students by delivering more than 70 post-secondary programs. The College now has seven campuses throughout Durham Region and our eastern neighbour, Northumberland County. The disciplines range from arts, administration, business, design, communication arts, health and human studies, skilled trades and technology, with new programs to be added according to market demand. In addition, the College now operates a University Centre, allowing students to take full-time daytime university programs from York and Trent Universities. Durham College and its University Centre are significant educational employers, providing jobs for close to 800 people.

While Durham College enjoyed a prosperous year in 2001, expanding its campus and refining its program base, efforts were also well underway to establish a university in Durham Region.

The new proposal for a full-scale university program in Durham Region was submitted in 2000. In May 2001, the Province of Ontario announced a $60-million infrastructure investment in a new postsecondary institution in Durham, with a mission to offer career-oriented and market-driven degree programs. The University of Ontario Institute of Technology (UOIT) will offer eight schools when it opens in the Fall of 2003, sharing a campus with Durham College. The schools are: Advanced Manufacturing, Applied Science, Applied Health (the first degree will be in Nursing), Applied Arts, Education, Nuclear Technology, Business and Information Technology. As the University grows and evolves, more undergraduate programs will be added. Graduate and postgraduate programs, as well as world-class research opportunities, will be developed.

Photo courtesy of UOIT

The University's initial projected enrolment of 800 is expected to reach 6,500 students by 2010.

In addtion, a Manufacturing Technology Centre in partnership with GMC, Bell Canada, IBM and Nortel will be built at the Oshawa campus. The "smart" building will be equipped with shops, technical laboratories and a computer-integrated manufacturing lab.

Other Development Announcements

Minacs Worldwide is currently undergoing a significant expansion to accommodate a sharp increase in the number and size of its contracts. Minacs opened a new 100,000 square foot customer contact/development centre in Oshawa to handle major contracts with companies such as General Motors (dealer warranty service), the U.S. State Department, and Nestle. As a result, Minacs is in the process of expanding its workforce from 150 positions to over 600 positions. Minacs has also recently been awarded the On-Star contract, which will result in an additional 750 positions. It is anticipated that Minacs will become one of the Region's top 10 private sector employers within the next five years.

Minacs Headquarters

Veridian Corporation is celebrating the construction of a new office facility on the Pickering Parkway. The facility will accommodate the company's billing and call center operations. The three-story building will contribute over 30,000 square feet of premium office space to Pickering's downtown core. Its attractive design and highly visible location adjacent to Highway 401 will be sure to confer landmark status on the facility. Veridian is responsible for distributing electricity in the City of Pickering, the Town of Ajax, and a number of communities, including Port Hope, Uxbridge, Bowmanville, Newcastle, Orono, Beaverton, Sunderland and Cannington. The Ontario Energy Board recently approved an application that will allow Veridian to expand into Belleville.

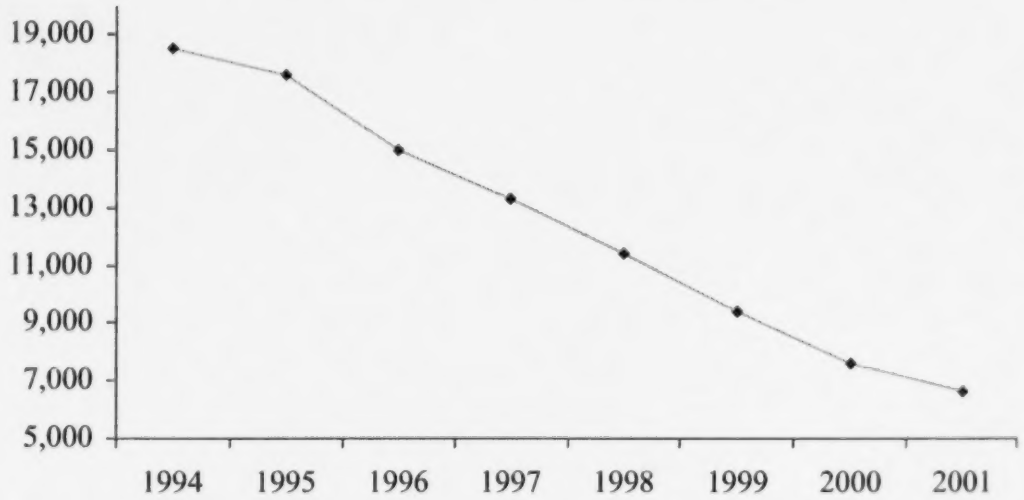
CDA Industries Inc. moved its Scarborough and Mississauga operations to Pickering. The new production facility and corporate office in Pickering occupies 239,000 square feet and employs over 300 people.

A new auto-parts plant, Automodular Assemblies Incorporated, is planned in Whitby. The plant will use 160,000 square feet of plant space and 18,000 square feet of office space and will employ approximately 250 people in its first phase. The operation will sub-assemble and sequence components for General Motors.

Income Support Caseloads

Despite a slowing economy in 2001, there continues to be a steady decrease in income support caseloads, from an average of 18,553 cases per month in 1994 to 6,613 cases per month on average in 2001, representing a decrease of 64%.

Average Income Support Caseloads Per Month



In the event that income support caseloads rise, under the current GTA "pooling" arrangement, Durham must not only meet social service demands in its own jurisdiction, but must also share in a portion of the City of Toronto and other GTA Region's social assistance and social housing costs. This could result in an increase in Durham's share of these costs. The Provincial initiative to "pool" or "equalize" across the GTA means that the Region of Durham must pay a share of GTA-wide costs for the provision of Social Assistance, Social Housing and GO Transit. These contributions present uncertainty because service costs in other jurisdictions are beyond the Region of Durham's control.

Investment in Infrastructure

Each year Regional staff complete annual "Servicing and Financing Studies" that determine infrastructure requirements and potential methods of financing for the enhancement and/or expansion of Durham's roadways, water supply and sanitary sewerage system and solid waste operations.

To address the Region's aging infrastructure as well as to meet the demands from growth, Durham has entered a phase of infrastructure improvements and expansion, with significant capital investments planned over the next five year period, specifically for Regional Roads, Homes for the Aged, Solid Waste Management, Police Services and Emergency Medical Services.

Investment in Infrastructure (continued)

Homes for the Aged

Hillsdale Manor Home for the Aged is located in Oshawa. In 2000, construction of a new 300-bed $53 million 260,000 square foot facility commenced at the existing site. The new state of the art facility, which is to replace the Hillsdale north building, is expected to be completed by June 2002. The ground floor will include a solarium, tuck shop, auditorium, chapel, offices, library, laundry and kitchen, while the upper three levels will each have four resident home areas containing 25 beds each, or a total of 100 beds per level.

In 2002, the Region also plans to construct a new 200-bed facility to replace the existing 135-bed south building. In January 2001, the Region submitted an application to the Ministry of Health and Long-term Care for approval for the additional 65 beds. The second facility will cost an estimated $36 million and will be constructed over the 2002 to 2004 time-frame.

It is also anticipated that the Region's Lakeview Manor home, located in Beaverton will be rebuilt between 2003 and 2006 at an estimated cost of approximately $30 million.

The Region's commitment to the development of state of the art facilities and new seniors' long-term care accommodations will address the growing needs of the elderly, a growing segment of our society. As of December 2000, Durham Access to Care identified an average of 586 individuals awaiting placement. By making additional long-term care services available, it will improve seniors' access to services that meet their own personal health care needs.

Construction of the New Hillsdale Estates in Oshawa

Investment in Infrastructure (continued)

The Roads Program

The Region of Durham arterial road network consists of approximately 2,077 lane kilometres of paved roadways plus 210 structures. The road inventory has grown 16% over the past ten years and the total replacement value of these assets is estimated at approximately $1 billion. It is essential that this infrastructure be kept in a state of good repair in order to meet community needs and expectations.

In 2001, $21 million of Regional Roads capital expenditures were incurred. Spending on road enhancements and expansions over the 2002 to 2005 forecast period are expected to reach approximately $83 million. This forecast recognizes current costs, the need to accelerate projects to keep pace with Provincial highway expansions (Highways 401 and 407), the need to keep pace with residential, commercial and industrial growth and the recent trend towards higher construction prices in the Greater Toronto Area.

The expansion of Highway 407 into Pickering was completed in the summer of 2001. Upon its completion, it was anticipated that an increase in traffic pressures would be experienced on Brock Road. Some of the preparatory activities undertaken during the year to accommodate increasing traffic include the widening of Brock Road from Dellbrook Avenue to south of Brougham, a C.P.R. subway, and a Brougham By-pass.

During 2001, approximately 44 lane kilometres of Regional roads were rehabilitated and or reconstructed. In addition, two bridges were rehabilitated and the financing was put in place to replace the Mustard Bridge in the Township of Uxbridge. Reconstruction and widening of Taunton Road from just east of Ritson Road to east of Harmony Road was completed in 2001. Financial commitments were also made to complete the reconstruction and widening of Bayly Street from Shoal Point Road to Carruthers Creek Drive. This work includes intersection improvements at Bayly Street and the new link with the Carruthers Creek Drive Interchange.

Before: Taunton Road between Wilson and Ritson Roads (Oshawa)

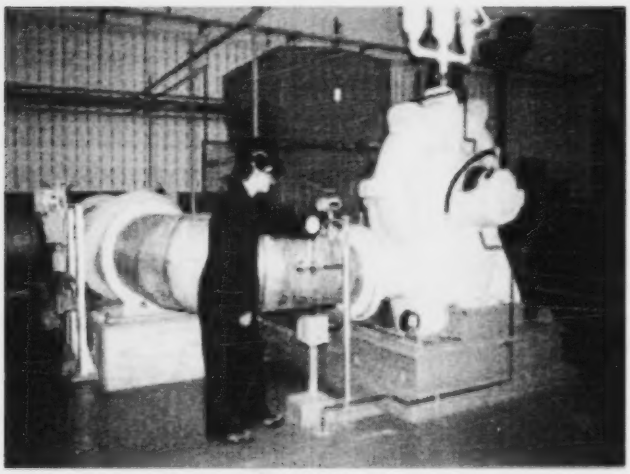
After: Taunton Road between Wilson and Ritson Roads (Oshawa)

Investment in Infrastructure (continued)

In 2001, the Region committed $2.3 million towards the construction of Carruthers Creek Drive and the interchange in Ajax. Capital construction/expansion of 401 interchanges is a significant cost component of the roads program over the next several years, including interchanges at Carruthers Creek Drive, Lakeridge Road and Park/Stevenson Roads in Ajax, Whitby and Oshawa respectively. The proposed improvements are essential to accommodate planned population and employment growth, sustain efficient goods movement, address current traffic and safety concerns and attract new economic development opportunities.

Water Supply and Sanitary Sewerage

The Region's water supply and sanitary sewerage operations and capital expenditures are funded by Regional water/sewer user rate revenues and development charges. Capital costs related to new residential development are funded from available Regional residential development charges. With the introduction and phase-in of a Regional commercial development charge (which came into effect July 1, 2000), development related capital costs associated with commercial development have been partially funded from commercial development charges since January, 2001. All other operating and capital costs are recovered from water and sewer user rate revenues.



In 2001, approximately $32.1 million was invested in the Region's water and sewer infrastructure. Key projects in the Water Capital Program included storage reservoir and feedermain work in Bowmanville, feedermain work in Ajax and Whitby, as well as an accelerated water system maintenance program across the Region to address deficiencies due to the Region's aging water pipe infrastructure.

A key project in the 2001 Sewer Capital Program was the initiation of design and land acquisition for the proposed Courtice Water Pollution Control Plant (WPCP). Construction of this $100 million facility is scheduled to commence in 2004. The new system is required to replace the circa 1950 Harmony Creek WPCP, as well as to provide additional capacity for growth of the Oshawa and Courtice urban areas. Preliminary work continued in 2001 for the future upgrade of the Corbett Creek WPCP and the expansion of the Uxbridge Brook WPCP.

Investment in Infrastructure (continued)

In order to provide adequate sanitary sewerage servicing for the Uxbridge urban area, an Environmental Assessment (EA) was undertaken for the expansion of the Uxbridge Brook Water Pollution Control Plant (WPCP). Following completion of the EA, the WPCP has been upgraded to optimize its capacity and operational efficiency. Based on current flow projections, an expansion is required to provide capacity for existing and new development.

The Corbett Creek WPCP provides sanitary sewerage treatment for the western part of the City of Oshawa and the eastern portion of the Town of Whitby. In 2001, two plants at this facility were demolished and the construction of a new sludge plant was initiated to maintain the design capacity of Corbett Creek.

The Region is also conducting a study, which examines the feasibility of an innovative system-model approach to optimize energy efficiency in the Pickering/Ajax/Whitby/Oshawa Water Supply System. The Energy Efficiency Study for Water Supply System Operation includes the following benefits:

- Reduce energy consumption and energy costs by optimizing water systems;
- Contribute to reduction of greenhouse gas emission through energy conservation;
- Enable load shifting by taking advantage of lower energy rates during off-peak hours;
- Training tool for Control System Operators;
- Means to study operation strategies in emergency situations;
- Water quality studies (source tracking, substance tracking); and,
- Examine the use of water storage facilities that are designed to meet high summer demands to optimize off peak emergency usage.

Investment in Infrastructure (continued)

On August 26, 2000, the Provincial Government implemented a new Drinking Water Protection Regulation under the Ontario Water Resources Act. Regulation 459/00 sets out new rigorous standards covering all aspects of supply, monitoring and delivery of drinking water in Ontario. As part of this Regulation, municipalities are required to submit Independent Engineer's Reports regarding their facilities regularly every three years. These Independent Engineer's Reports were completed in 2000/2001 for Regional Water Supply Facilities. The Reports indicate that the Region is fulfilling its mandate to provide a safe and secure source of drinking water to all of its municipal customers. Notwithstanding the above, the new Ontario Drinking Water Regulations have imposed new higher standards and criteria basis on which all existing water supply operations are being evaluated.

Under the new regulation, all drinking water analyses are to be carried out at accredited laboratories. The Region of Durham operates its own state-of-the-art laboratory, which serves both Durham and York Regions. The lab has already been accredited by the Canadian Association of Environmental Laboratories and the Standards Council of Canada.

The new regulation mandates that all waterworks staff who conduct tests for operational parameters must hold a Ministry of the Environment licence. The Region has had an Operator Training Program for many years, during which time our operators have participated in extensive training, followed by written Provincial exams. As a result, all of our operators currently hold licenses under the Provincial Operator Certification Program. Under the new regulation our operators will participate in additional training over and above the 40 hours per year they had currently received.

Since 1974, the Region has been proactive in ensuring the quality and safety of our water supplies, including the chlorination of well systems and timely upgrades to water treatment facilities. The Region will continue to ensure standards are maintained throughout Durham's water supply distribution system, in compliance with the new regulations.

In compliance with the new regulations, the Region produces and makes readily available Quarterly Drinking Water Quality Reports. These reports can be viewed on-line by visiting the Regional web-site at www.region.durham.on.ca.

Solid Waste Management

The Region is planning major changes to its solid waste management operation over the next several years in order to achieve goals established under the "Long-Term Waste Management Strategy Plan: 2000 to 2020." The preferred long-term waste management strategy plan, identified in the report, includes the following main recommendations:

- Divert at least 50% of the residential waste from disposal by the year 2007 or earlier;

Investment in Infrastructure (continued)

- Secure an alternate source for the disposal of residential waste when the City of Toronto's Keele Valley landfill site is closed;
- Implement an integrated residential waste management system for the collection, processing and disposal of blue-box recyclables, food and yard waste compostables, residual garbage waste and special wastes; and
- Consider an "energy from waste" facility for the disposal of residual garbage waste.

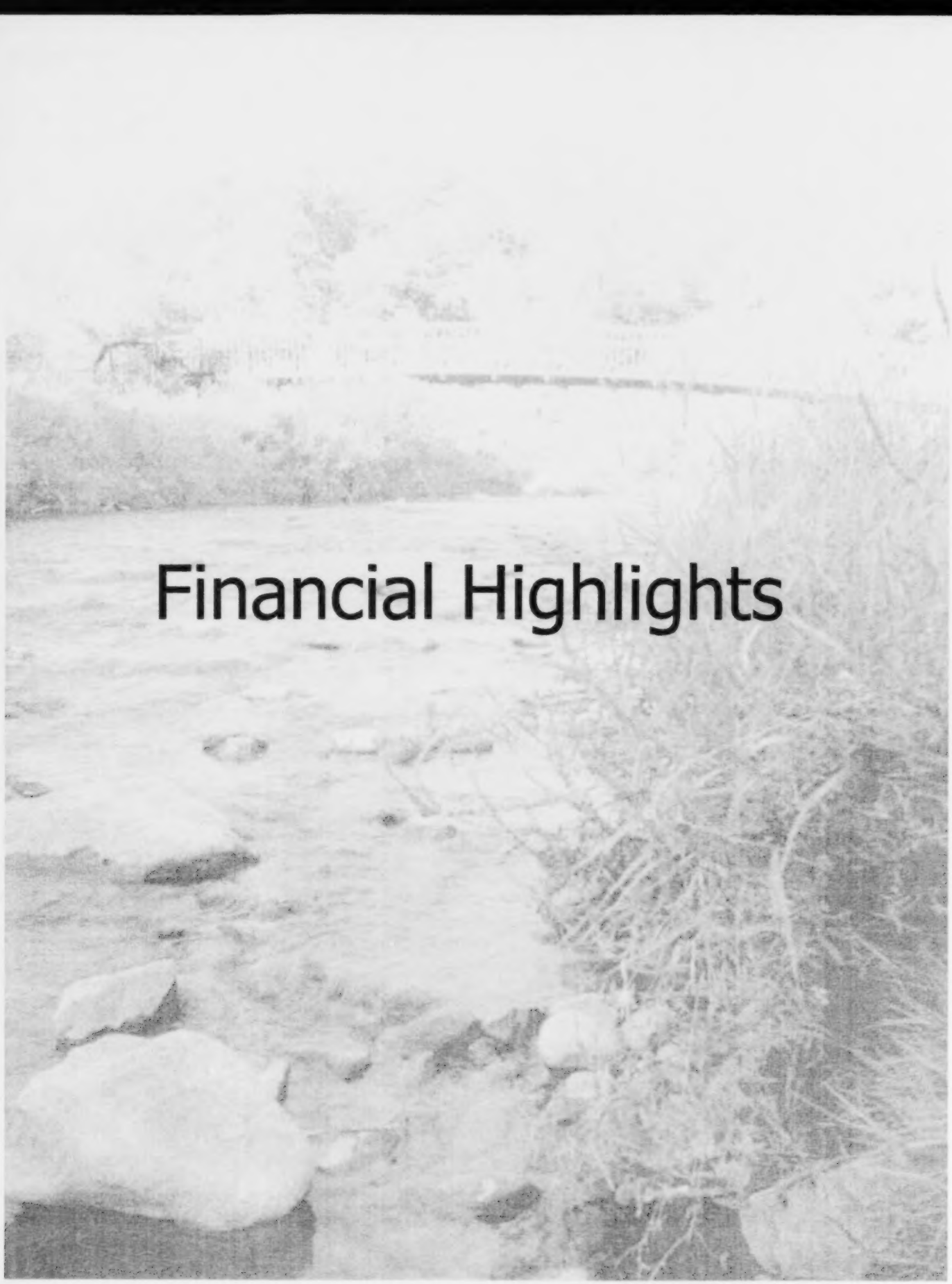
Solid waste operations are currently carried out by both the Region and the eight local Area Municipalities comprising the Region of Durham. Local municipalities are responsible for the curbside collection of garbage and leaf and yard waste. The Region is responsible for the following:

- transfer and disposal of garbage;
- composting of municipal leaf and yard waste;
- region-wide collection, processing and sale of recyclables through the blue-box program;
- operation of a Recycling Centre in Whitby;
- operation of a landfill site in Brock
- perpetual care of former landfill sites;
- operation of four waste management facilities in Oshawa, Brock, Port Perry and Blackstock; and,
- the education and promotion of the 3R's: Reduce, Reuse and Recycle.

There has been considerable activity to improve waste diversion practices and expand curbside organics programs across the Region through partnerships between the Region and interested Area Municipalities.

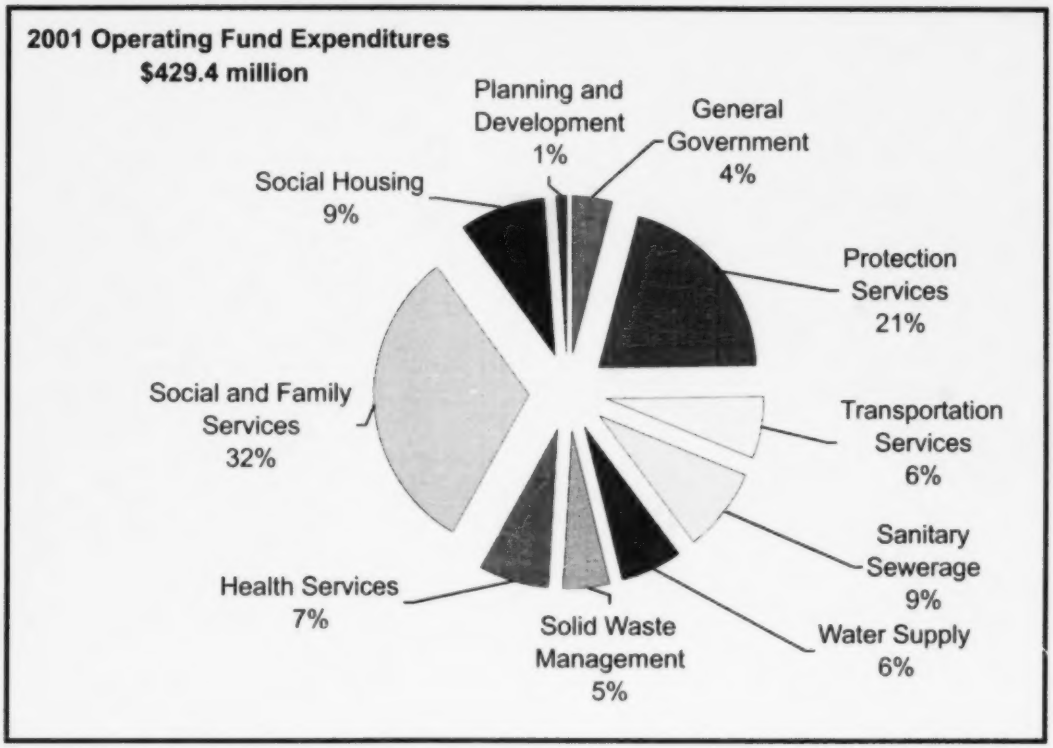
In 2001, an initiative was developed to integrate residential waste collection systems in the four Area Municipalities of Clarington, Uxbridge, Scugog and Brock. This plan will contribute to the goal of diverting more residential waste from landfill disposal. The main features of the new program will include the addition of more recyclables to the Blue Box, the introduction of source separated food waste composting, the reduction of the number of garbage bags to be collected each week, the usage of paper yard waste bags instead of plastic bags and the elimination of the collection of grass clippings.

Recent waste composition studies demonstrated that despite the availability of the blue-box program, many residents are still discarding blue-box items into the waste stream destined for landfill. The Region has already begun work to increase promotion of the blue box recycling program as well as the benefits of food waste composting in order to reduce the amount of waste that is disposed of at a landfill site.



Financial Highlights

Operating Fund Expenditures

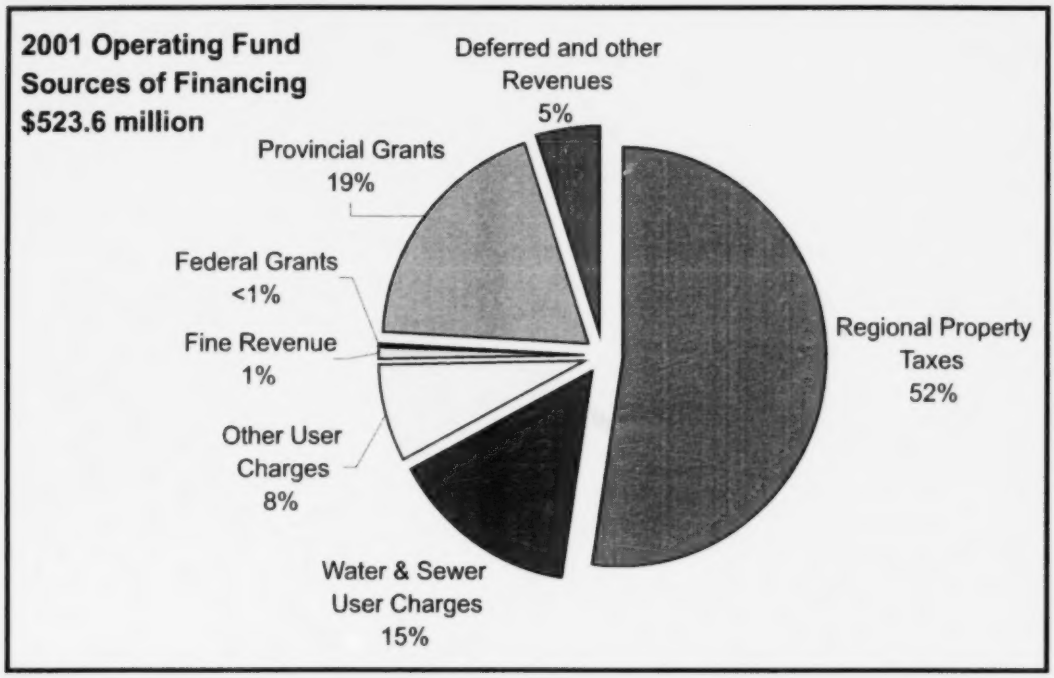


Total operating fund expenditures increased in 2001 by 9.1% to $429.4 million, compared to $393.5 million in 2000. Major expenditure increases in 2001 included the following:

- The addition of 47 police officers and 20 civilian support staff, as per the Police Services Board's five-year staffing plan;
- The transfer of approximately 6,400 social housing units and 550 rent supplement units from the Province to the Region;
- Construction of a new home for the aged (Hillsdale Manor);
- New and expanded Health Programs (e.g. Universal Influenza Immunization, Safe Water and Infection Control Programs);
- Acceleration of the Roads Rehabilitation Program and the resulting increase in expenditures for the maintenance of an expanding inventory of roads, bridges, traffic signals and culverts.

Operating Fund Sources of Financing

Operating fund sources include Regional property taxes, user charges and grants from federal and provincial governments.


2001 Operating Fund Sources of Financing
$523.6 million
Deferred and other Revenues 5%
Provincial Grants 19%
Federal Grants <1%
Fine Revenue 1%
Other User Charges 8%
Water & Sewer User Charges 15%
Regional Property Taxes 52%

In addition to an average Regional tax increase of 5.37% across all property tax classes, revenue from property taxes increased from $251.9 million in 2000 to $274.0 million in 2001, representing an increase of approximately 9%. The increased revenues were primarily due to assessment growth.

Water Supply and Sanitary Sewerage

A major responsibility of the Regional Corporation is the safe operation and maintenance of the Water Supply and Sanitary Sewerage systems to serve current residents and to ensure an adequate service level to facilitate future growth.

Revenues required to finance these Regional operations are raised primarily from Region-wide uniform user rates. The water and sewer rates, rate structure, development charge receipts and long-term capital requirements are reviewed annually to ensure the continued viability of these operations. The Region adheres to the "user pay" principle in setting water and sanitary sewer user rates. The user pay approach strives to directly charge water and sewer customers in proportion to the cost of providing water and sewer services.

In 2001, a 5% water rate increase was approved with approximately 2.5% of the increase, or $860,000, available for additional watermain rehabilitation replacement and water quality studies across the Region as follows: $440,000 for water main rehabilitation; $265,000 for water main replacement; and $155,000 for Port Perry's water quality improvement study. Sewer user rates in Durham increased for the first time since 1992 by 2.5%. In 2001, the typical residential customer (60,000 gallons per year) paid an average annual cost of $378.48 for water and sewer utilization, compared to an average of $345 during 1992. This represents an increase of 9.7% over nine years.

Annual surpluses related to water and sewer operations are transferred to the applicable Treatment Plant/Rate Stabilization Reserve Fund. These funds held balances at the end of 2001 totaling $49.6 million for sewer services and $32.0 million for water services. The funds are committed to finance future capital upgrades and expansion of Durham's Water Supply and Sanitary Sewerage systems.

Solid Waste Management

The cost of implementing the "Region of Durham Long-Term Waste Management Strategy Plan: 2000 to 2020," is expected to exceed $30 million in additional capital costs and contribute to a 20% increase in operating costs.

Sources of revenue for the operation of the solid waste management system consist of a portion of property tax revenues specific to waste operations, user fees and the sale of recyclable materials. Major expenditures are related to solid waste haulage and disposal fees, blue box collection and the processing of recyclables and compostables.

The Region of Durham owns and operates a small rural landfill site in the Township of Brock, waste disposal facilities in Oshawa, Port Perry and Blackstock, and a processing facility for recyclable materials in Whitby.

Solid Waste Management (continued)

A goal of the Region's solid waste management operation is to maintain a system of true cost recovery. However, there are uncertainties that can lead to a surplus (or deficit) position for solid waste operations at the end of each year. These include the difference between projected and actual waste volumes and uncertainties surrounding revenues from the sale of recyclable materials, which fluctuate based upon market prices that are beyond the direct control of the Region.

In 2001, Solid Waste Management operations generated an operating surplus of $1.1 million, which was added to the Solid Waste Management Reserve Fund. At the end of 2001, including interest, the Solid Waste Management Reserve Fund had a balance of $12.9 million, which can be used for a portion of the capital costs required to implement the Long-Term Solid Waste Management Strategy Plan. The main goal of the Waste Plan is to decrease the amount of garbage going to landfill from the current 70% to below 50% by 2007 or sooner.

Capital Fund Expenditures

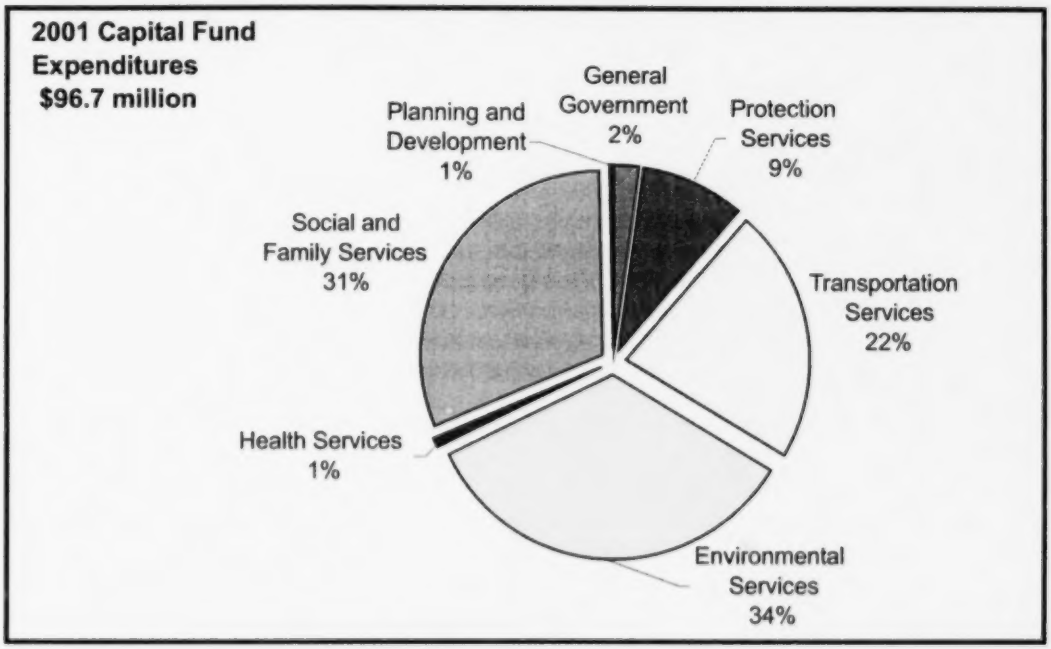
Capital investment is necessary to maintain the current infrastructure and provide for future requirements. In 2001, capital fund expenditures totaled $96.7 million, compared to $68.5 million in 2000. This $28 million increase is mainly due to higher social and family service expenditures related to the construction of the new Hillsdale Manor Home for the Aged. These expenditures increased $20.4 million to $29.9 million in 2001. Overall, the social and family service division accounted for 31% of all 2001 capital expenditures.

Despite this large-scale social service project, water supply and sanitary sewerage infrastructure upgrades still continued to account for the largest portion of the Region's capital fund expenditures at 34% of the total. Transportation Services, primarily spending on roads infrastructure, represented the third highest spending category at 22% of all total 2001 capital fund expenditures.

The other main capital fund expenditure increases this past year were as follows:

- $2.7 million increase in the transportation capital program to $21.3 million; and
- $2.9 million increase in the Environmental Services category, primarily from smaller scale water and sewer capital projects.

Capital Fund Expenditures



Capital Fund Sources of Financing

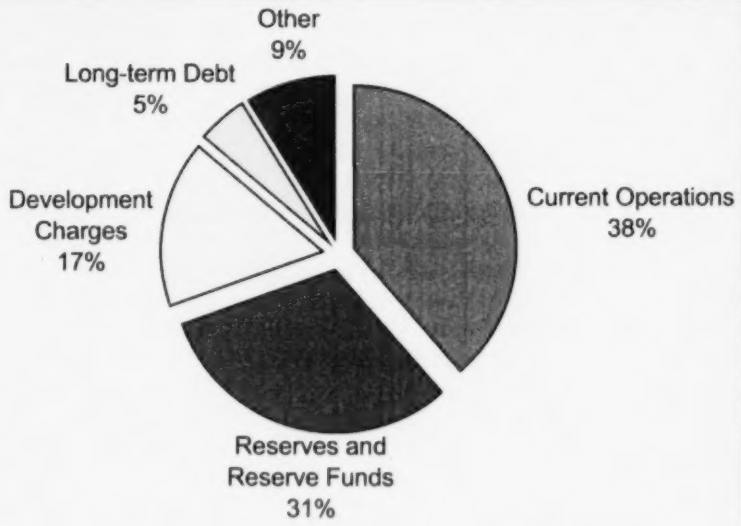
The Region of Durham's 2001 capital spending program was financed through transfers from reserves and reserve funds, revenues from current operations, development charges and other revenues, including recoveries from Area Municipalities. In 2001, only $5 million of debentures were issued to finance the Capital Program. As a result, the Region's debt burden remained fairly stable, dropping slightly from $92.5 million to $91.7 million.

The Region maintains low debt levels and continues to adhere to the pay-as-you-go financing philosophy, which ensures minimal debt with debt issuance for major projects only. Durham maintains a strong capital structure and solid reserves and reserve funds to ensure debt is kept to a minimum. This is important given current projections that gross capital spending over the next five years is likely to exceed $550 million, including infrastructure improvements necessary to meet the needs of Durham residents.

Development charges are collected from developers and are held by the Region to finance future residential growth related projects for water, sewer, roads and other specific purposes. In 2001, the contribution to the capital fund from development charges totaled $16.8 million, compared to $20.7 million in 2000.

Capital Fund Expenditures (continued)

2001 Capital Fund Sources of Financing $101.1 million



Reserve and Reserve Fund capital financing includes the Special Regional Roads Levy introduced to assist in financing roads capital expansion. For 2001, the Special Regional Roads Levy was 2.0% of the 2001 Regional Budget, providing $4.3 million of special financing for roads capital requirements, including Taunton Road and the Highway 407 connections. In addition, the contribution of 0.5% of the Regional Levy to the Regional Road Reserve Fund supplemented the rehabilitation program with an additional $1.2 million annually.

Debt Position

The Region of Durham Debt Management Policies are governed by Provincial Legislation and Regulations and Regional Council approval. Including the $25 million of debt issued in 2000 to assist in financing the new Hillsdale Manor, the Region is responsible for long-term debenture debt totalling $159.2 million, at December 31, 2001. Of this total amount of debt, $67.6 million or 42% has been issued on behalf of the Local Area Municipalities and the Durham school boards, who are responsible for payment of both principal and interest. The Region is the authorized entity for debt issuance for all Local Area Municipalities within its jurisdictional boundaries. The net debt to be financed by the Regional Municipality of Durham is $91.7 million.

Durham's Credit Rating

Both Standard & Poor's and Moody's Investor Service have recently re-affirmed the Triple A credit rating for the Regional Municipality of Durham's long-term debentures, with a continued stable outlook. The annual rating review includes consideration of the performance of the Regional economy and the financial results achieved by the Region as well as its eight Area Municipalities.

Two of Durham Region's most important financing policies are the "pay-as-you-go" capital financing policy and "growth pays for growth," which reflect the Region's current AAA credit rating. The Region will maintain these philosophies and use debenture financing only when necessary for large capital investments that are not possible to finance up-front. Although significant capital outlays for infrastructure are required over the next five years, a continued focus on internal funding will minimize future debt issuance needs.

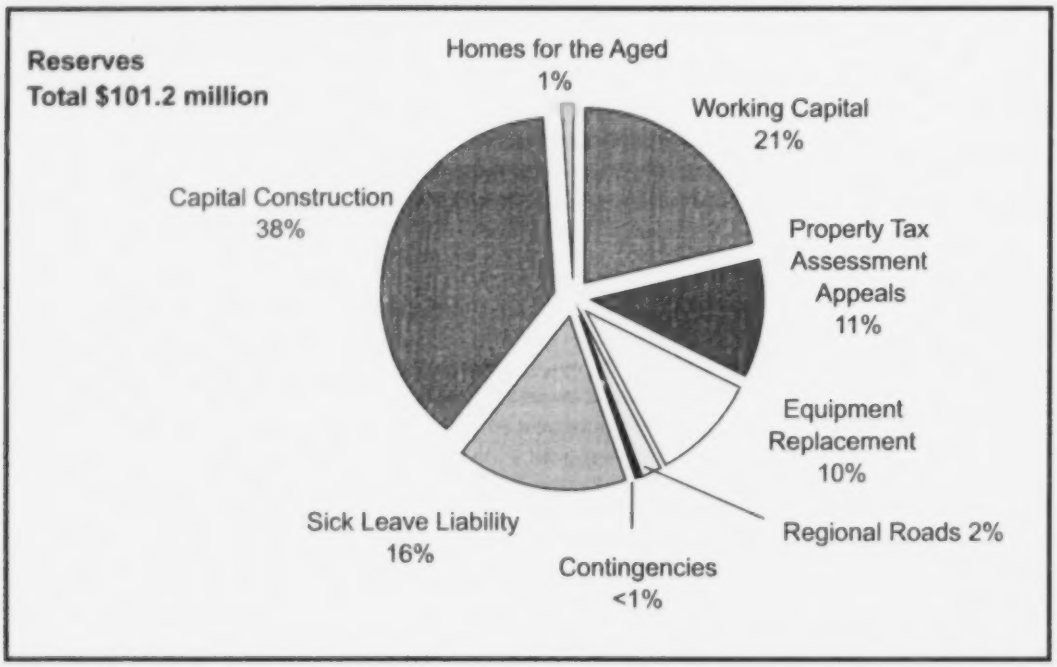
Reserves and Reserve Funds

The Region of Durham strives to maintain solid Reserve and Reserve Fund positions to ensure sufficient financial flexibility, minimize the impacts of growth requirements and future liabilities, and to complement the Region's pay-as-you-go financing philosophy for major capital expenditures. Maintaining a policy that is meant to maximize up-front financing requires a healthy level of Reserves and Reserve Funds.

Reserve and Reserve Funds at December 31, 2001 totaled $281.5 million, an increase of 17.2% compared to December 31, 2000 when they totaled $240.2 million. The largest portion of these funds are committed to assist in the financing of future capital expenditures for water supply, sanitary sewerage, regional roads, solid waste management and risk management.

Reserves

At the end of 2001, the Region had eight Reserves totaling $101.2 million, compared to seven Reserves totaling $83.9 million at December 31, 2000, an increase in value of 20.6%.



The Region of Durham's Reserves are established for specific purposes, such as the provision of working capital to mitigate fluctuations in annual cash flows. Two reserves provide the Region with necessary financing for future liabilities: the Sick Leave Liability and the Contingencies Reserves. Other Reserves have been established to enable up-front financing of major capital expenditures or are used to finance projects budgeted in one year, but with construction taking place over more than one year (the Capital Construction, Regional Roads, Homes for the Aged and Equipment Replacement Reserves).

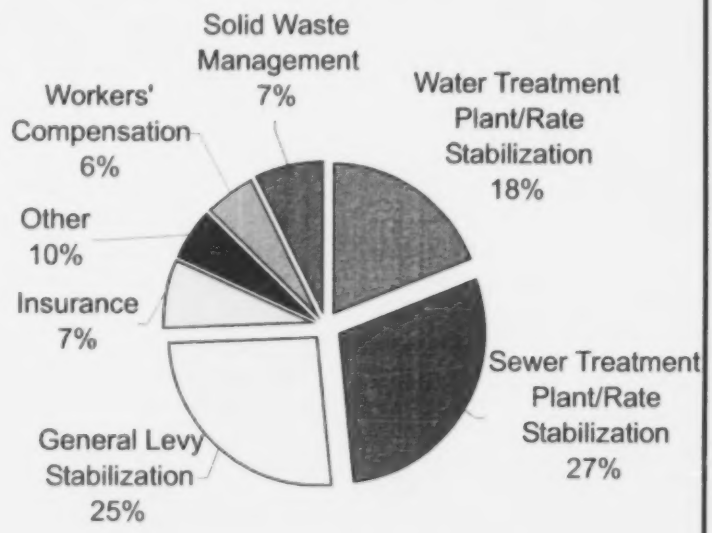
"The size of the operating and reserve contributions...is a clear demonstration of Durham's commitment to pay-as-you-go capital funding and financial prudence and, accordingly, is a significant credit strength."

Standard & Poor's, April 6, 2001

Reserve Funds

Reserve Funds are amounts set aside to finance specific future costs. The total value of the Region's Reserve Funds increased in 2001 by $23.9 million to $180.3 million, compared to $156.4 million in 2000. The 2001 total includes $7.4 million of interest earned during the year.

Reserve Funds
Total $180.3 million

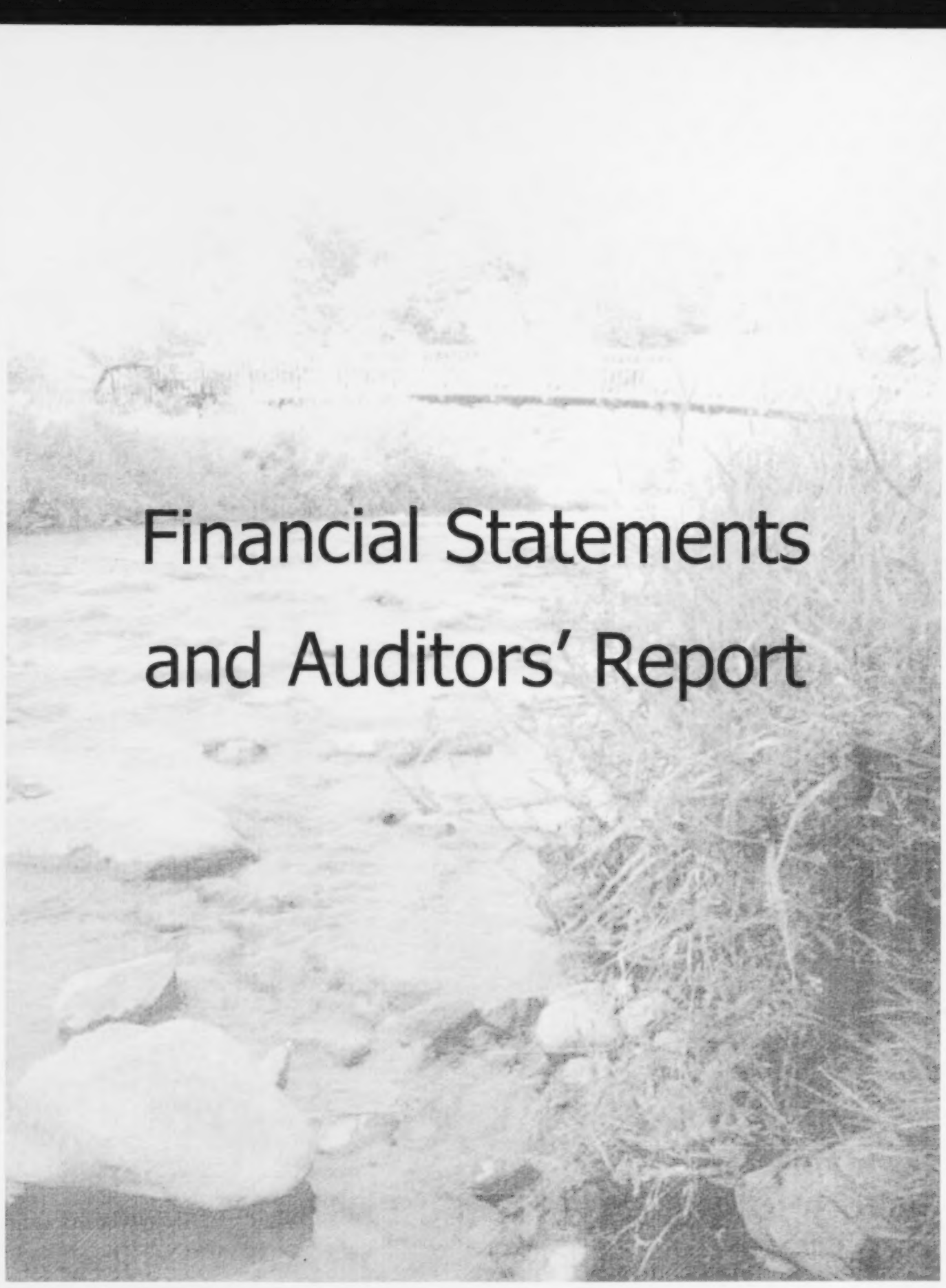


In order to maintain financial flexibility, the Region of Durham has adopted a number of policies with respect to operational surpluses. For example, water and sewer operating surpluses are transferred to their respective Treatment Plant/Rate Stabilization Reserve Funds. Similarly, the General Levy Stabilization Reserve Fund, established in 1995, is used to offset extraordinary expenditure requirements or revenue shortfalls and minimize their impact on the Regional General Tax Levy. Surpluses from general tax operations are transferred to this fund at year end. This fund totaled $45.8 million at the end of 2001.

Development Charges (Deferred Revenues)

Development charges are collected from developers and are essentially held by the Region to finance future residential growth related projects for water, sewer, roads and other specific purposes. In 2001, contributions from developers totaled $37.3 million, compared to $22.5 million in 2000.

The balance of the Region's Development Charges (Deferred Revenues) in the accompanying Financial Statements at the end of 2001 was $98.7 million. During the year, the balance increased by the development charge receipts noted above, plus $3.8 million of interest earned, less contributions to the Operating Fund to finance growth related debentures ($6.4 million) and the Capital Fund ($16.8 million) for the financing of capital infrastructure.



Financial Statements and Auditors' Report

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Deloitte
& Touche

Auditors' Report

To the Members of Council, Inhabitants
and Ratepayers of the Corporation of the
Regional Municipality of Durham

We have audited the consolidated statement of financial position of the Corporation of the Regional Municipality of Durham as at December 31, 2001 and the consolidated statements of financial activities and changes in financial position for the year then ended. These financial statements are the responsibility of the Region's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation of the Regional Municipality of Durham as at December 31, 2001 and the results of its operations and changes in financial position for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants

Toronto, Ontario
June 14, 2002

Deloitte
Touche
Tohmatsu

THE CORPORATION OF THE REGIONAL MUNICIPALITY OF DURHAM

Consolidated Statement of Financial Position

December 31, 2001

(All figures rounded to the nearest thousand)

	2001	2000 (Note 3)
ASSETS		
Financial Assets		
Cash and short-term investments (Note 4)	**$ 513,703**	$ 450,713
Accounts receivable	**29,575**	27,647
Other Assets	**2,273**	2,235
Debenture debt recoverable from Other Municipalities and School Boards (Note 5)	**67,589**	66,206
	$ 613,140	$ 546,801
LIABILITIES		
Accounts payable and accrued liabilities	**$ 87,739**	$ 91,968
Deferred revenue - Schedule 5 (Note 9)	**98,683**	80,762
Other deferred revenues	**16,681**	11,915
Debenture debt (Note 5)	**159,252**	158,737
Landfill closure and post closure costs (Note 8)	**3,160**	3,222
Post employment benefits (Note 7)	**62,737**	58,224
	428,252	404,828
MUNICIPAL POSITION		
Operating Fund - Schedule 1	**230**	-
Capital Fund - Schedule 2	**57,337**	52,969
Reserves and Reserve Funds - Schedule 3 (Note 6)	**281,549**	240,226
Fund Balances	**339,116**	293,195
Amounts to be recovered in future years (Note 10)		
From reserves and reserve funds	**(24,809)**	(21,201)
From future revenue	**(129,419)**	(130,021)
	(154,228)	(151,222)
Municipal equity	**184,888**	141,973
	$ 613,140	$ 546,801

The accompanying notes and schedules are an integral part of these financial statements.

THE CORPORATION OF THE REGIONAL MUNICIPALITY OF DURHAM

Consolidated Statement of Financial Activities

Year ended December 31, 2001
(All figures rounded to the nearest thousand)

	2001		2000
	Budget (Note 17)	Actual	Actual (Note 3)
REVENUE			
Regional taxes (including supplementary taxes)	$ 262,099	$ 273,966	$ 251,870
User charges			
Water and sewer	72,105	77,741	72,201
Other	38,301	39,381	39,330
Fine revenue	4,976	4,687	215
Grants			
Government of Canada	465	630	51
Province of Ontario	124,252	100,674	102,442
Development charges - Schedule 5 (Note 9)	28,627	23,173	26,682
Contributions from developers	210	1,830	3,302
Area municipal recoveries	1,120	3,905	1,674
Other	10,744	44,366	27,103
TOTAL REVENUE	542,899	570,353	524,870
EXPENDITURE (Note 11)			
Operating Fund - Schedule 1	450,342	429,381	393,482
Capital Fund - Schedule 2	94,179	96,743	68,469
Reserves and Reserve Funds - Schedule 3	-	1,314	2,252
TOTAL EXPENDITURE	544,521	527,438	464,203
NET (EXPENDITURE) REVENUE	(1,622)	42,915	60,667
FINANCING ACTIVITIES			
Add new Regional debt issued	12,696	5,000	25,000
Less Regional debt principal repayments	(7,711)	(5,868)	(5,037)
Increase (Decrease) in post employment benefits	-	3,936	(2,826)
Decrease in landfill closure and post closure liabilities	-	(62)	-
INCREASE IN AMOUNTS TO BE RECOVERED	4,985	3,006	17,137
CHANGE IN FUND BALANCES	3,363	45,921	77,804
FUND BALANCES, BEGINNING OF YEAR	-	293,195	215,391
FUND BALANCES, END OF YEAR	$ 3,363	$ 339,116	$ 293,195

The accompanying notes and schedules are an integral part of these financial statements.

THE CORPORATION OF THE REGIONAL MUNICIPALITY OF DURHAM

Consolidated Statement of Changes in Financial Position

Year ended December 31, 2001

(All figures rounded to the nearest thousand)

	2001	2000 (Note 3)
OPERATIONS		
Net revenue	**$ 42,915**	$ 60,667
Uses		
Increase in accounts receivable	**(1,928)**	-
Increase in other assets	**(38)**	-
Decrease in accounts payable and accrued liabilities	**(4,229)**	
Decrease in landfill closure and post closure liabilities	**(62)**	-
Decrease in post employment benefits	-	(1,590)
	(6,257)	(1,590)
Sources		
Decrease in accounts receivable	-	21,318
Decrease in other assets	-	5,836
Increase in accounts payable and accrued liabilities	-	3,153
Increase in other deferred revenue	**4,766**	1,275
Increase in deferred revenue	**17,921**	3
Increase in post employment benefits	**4,513**	-
	27,200	31,585
Net increase in cash from operations	**63,858**	90,662
FINANCING		
Long-term Regional debt issued	**5,000**	25,000
Long-term Regional debt repaid	**(5,868)**	(5,037)
Net increase (decrease) in cash from financing activities	**(868)**	19,963
NET CHANGE IN CASH AND SHORT-TERM INVESTMENTS	**62,990**	110,625
CASH AND SHORT-TERM INVESTMENTS, BEGINNING OF YEAR	**450,713**	340,088
CASH AND SHORT-TERM INVESTMENTS, END OF YEAR	**$ 513,703**	$ 450,713

The accompanying notes and schedules are an integral part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. MUNICIPAL STRUCTURE

The Regional Municipality of Durham came into existence on October 15, 1973 and assumed its responsibilities on January 1, 1974, under the authority of the Regional Municipality of Durham Act, 1973.

The Region comprises the following Area Municipalities:

- City of Oshawa
- City of Pickering
- Town of Ajax
- Town of Whitby
- Municipality of Clarington
- Township of Brock
- Township of Scugog
- Township of Uxbridge

and is responsible for services within these Area Municipalities related to the following:

- Financial, including all debt issues and property tax policy.
- Protection to persons and property, including Police, Conservation Authorities, Emergency Planning, Fire Co-ordination and 911 Emergency Telephone services.
- Transportation Services, including all Regional Roadways and Traffic Control.
- Environmental Services, including the Water Supply System, Sanitary Sewerage System, Regional Storm Sewer System and Solid Waste Management.
- Health Services, including Public Health Services and Inspections, and Emergency Medical Services.
- Social and Family Services, including Ontario Works, Services for Seniors, and Children's Services.
- Social Housing Services.
- Planning, including official plan administration.
- Regional Development and Promotion.
- Administration, prosecution and collection of fines under the Provincial Offences Act (POA).

2. SUMMARY OF ACCOUNTING POLICIES

The Consolidated Financial Statements of the Corporation of the Regional Municipality of Durham are the representations of management prepared in accordance with local government accounting standards established by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants.

(a) Basis of Statement Presentation

i. The consolidated financial statements reflect the activities of the Operating Fund, Reserves, Reserve Funds, and the Capital Fund of the municipality, including the activities of the Durham Region Police Services Board, and the Durham Regional Local Housing Corporation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF ACCOUNTING POLICIES (continued)

(a) Basis of Statement Presentation

ii. The Trust Funds administered by the municipality are not included in these consolidated financial statements. The Trust Funds financial statements are disclosed separately.

(b) Basis of Accounting

i. Accrual Basis of Accounting

Expenditures and their related sources of financing are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues as they become available and measurable; expenditures are recognized as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.

ii. Capital Assets

The historical cost and accumulated depreciation of capital assets are not reported for municipal purposes. Capital assets are reported as an expenditure in the Consolidated Statement of Financial Activities in the year of acquisition.

iii. Post Employment Benefits

The present value of providing employees with post employment benefits is recognized as employees earn these entitlements through service.

iv. Deferred Revenue

Deferred revenue represents development charge fees which have been collected, but for which the related services have yet to be performed. These amounts will be recognized as revenues in the fiscal year in which the services are performed.

v. Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts in the financial statements and accompanying notes. Due to the inherent uncertainty in making estimates, actual results could differ from those estimates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3. RESTATEMENT OF PRIOR YEAR

The comparative figures included in these financial statements have been restated to conform to the accounting standards adopted for the current year. Commencing in 2001, the Region has adopted the PSAB accounting standards for Solid Waste Landfill Closure and Post Closure liability and Employee Future Benefits liability. The adoption of these standards has resulted in the following changes to amounts previously reported:

(a) Future employee benefits for existing employees which were previously accounted for when the employee became eligible for the post employment benefit have been accrued in the amount of $17,180 (2000 - $16,928).

(b) Solid Waste Landfill Closure and Post Closure costs, which were previously accounted for when paid, are now reported on the Consolidated Statement of Financial Position on an accrual basis. These obligations amount to $3,160 (2000 - $3,222).

Certain of the prior year's figures have been reclassified to the basis of presentation adopted in the current year.

4. CASH AND SHORT-TERM INVESTMENTS

Included in cash and short-term investments are short-term investments of $506,332 (2000 - $450,516) recorded at cost and with a market value of $507,565 (2000 - $450,502).

5. DEBENTURE DEBT

(a) The balance of debenture debt reported on the Consolidated Statement of Financial Position is made up of the following:

	2001	2000
Total debenture debt incurred	$ 158,605	$ 157,759
In addition, the Region has assumed responsibility for the payment of principal and interest charges on certain debentures issued by the Province of Ontario	647	978
Total	$ 159,252	$ 158,737

Of the debenture debt shown above, the responsibility for payment of principal and interest charges has been assumed by other municipalities and school boards for a principal amount of $67,589 (2000 - $66,206). The Region of Durham is contingently liable for those debentures for which other municipalities and school boards have assumed the responsibility for payment of principal and interest.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5. DEBENTURE DEBT (continued)

(b) The debenture debt principal repayment required over the next five years is as follows:

	2002	2003	2004	2005	2006
Water Supply Operation	$ 2,859	$ 3,019	$ 3,194	$ 3,382	$ 3,575
Sanitary Sewerage Operation	1,537	1,537	1,324	1,404	1,493
Police Services Board	724	774	245	258	272
Homes for the Aged	1,519	1,603	1,693	1,791	1,897
	$ 6,639	$ 6,933	$ 6,456	$ 6,835	$ 7,237

These annual principal and interest payments are within the annual debt repayment limit prescribed by the Ministry of Municipal Affairs and Housing.

(c) Charges for Debenture Debt

Total interest charges for the year for debenture debt that are reported on the Consolidated Statement of Financial Activities are as follows:

	2001	2000
Interest	**$ 5,801**	$ 4,615

Of the total 2001 charges shown above, $1,784 was paid from general municipal revenues of the municipality, $2,510 was recovered from the water supply operation and $1,507 was recovered from the sanitary sewerage operation. These amounts are included on the Consolidated Statement of Financial Activities classified under the appropriate functional expenditure headings.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6. RESERVES AND RESERVE FUNDS

Reserves and Reserve Funds set aside for specific purposes by Council are comprised as follows:

	2001	2000
Reserves		
Working capital	$ 21,642	$ 19,838
Property tax assessment appeals	10,920	-
Equipment replacement	10,202	9,943
Regional roads	1,957	1,660
Contingencies	400	400
Sick leave	16,246	12,699
Capital construction	38,709	38,196
Homes for the aged	1,133	1,133
Sub-total Reserves	101,209	83,869
Reserve Funds		
Treatment Plant/Rate Stabilization		
Sanitary sewage	49,612	42,606
Water supply	32,023	27,431
Regional share of non-residential development		
Sanitary sewage	3,228	3,083
Water supply	2,538	2,425
Solid waste management	12,851	11,168
Highway #2	617	503
General levy stabilization	45,768	40,794
911 emergency telephone system	63	60
Industrial land	983	1,066
Roads property acquisition	295	282
Foreign exchange	3,648	3,484
Workers' compensation	10,500	8,887
York/Durham sanitary sewage	3,302	2,979
Insurance	11,842	11,193
Social Housing	2,289	-
Emergency medical services	404	385
Durham University Centre	377	11
Sub-total Reserve Funds	180,340	156,357
Total Reserves and Reserve Funds	$ 281,549	$ 240,226

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7. EMPLOYEE BENEFITS AND POST EMPLOYMENT LIABILITIES

Employee benefits and post employment liabilities are comprised as follows:

	2001	2000
Sick leave	$ 27,468	$ 25,070
Workplace safety and insurance benefits	8,563	8,502
Post employment benefits	20,512	19,683
Paid leave benefit	6,194	4,969
Total post employment benefits	62,737	58,224
Less: post retirement liability recognized for existing retirees	(3,332)	(2,755)
Total post employment benefits to be recovered in future years	$ 59,405	$ 55,469

(a) Sick Leave Benefits

Under the sick leave benefit plan, unused sick leave can accumulate and employees may become entitled to a cash payment when they leave the Region's employment. The liability for these accumulated days, to the extent that they have vested and could be taken in cash by employees on termination, amounted to $27,468 (2000 - $25,070). An amount of $1,463 (2000 - $1,485) was paid to employees who left the Region's employment during the current year. Anticipated payments for vested sick leave over the next five years to employees who are eligible to retire are as follows:

2002	$ 7,343
2003	2,937
2004	2,203
2005	1,468
2006	734

(b) Workplace Safety and Insurance

The Region is a Schedule II employer under the Workplace Safety and Insurance Act and follows a policy of self insurance for all its employees. An actuarial valuation was completed for the year 2000, which identified that the amount provided in the liability account at year end is sufficient to cover the potential liability of all existing claims. The valuation has been updated for 2001 information.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7. EMPLOYEE BENEFITS AND POST EMPLOYMENT LIABILITIES (continued)

(c) Paid Leave Benefit

The Durham Region Police Services Board allows employees who may be eligible to retire to exercise the option of utilizing their sick leave credits for up to a maximum of one year paid leave. This option will terminate as of December 30, 2003. The liability for these accumulated days, to the extent that they have vested and could be taken in cash by employees on termination, amounted to $6,194 (2000 - $4,969) at the end of the year. An amount of $446 (2000 - $476) was paid to employees who left the Region's employment during the current year.

(d) Health Benefits

The Region makes available to qualifying employees who retire before the age of 65, the opportunity to continue their coverage for such benefits as extended health care, drugs, dental care and life insurance. Coverage ceases at the age of 65 for all Regional employees, with the exception of employees of the Police Services Board for which a benefit allowance is provided from the age of 65 to 70.

The significant actuarial assumptions adopted in estimating the Region's accrued health benefits are as follows:

Discount rate	6%
Dental benefit cost escalation	5%
Medical benefit cost escalation	10% per year reducing to 5% per year over 15 years

The value of this benefit liability is estimated at $20,512 (2000 - $19,683). The unfunded portion of the liability is $17,180 (2000 - $16,928). The Region has expensed the estimate for past employees covered by these benefits, and the benefit liability expensed at December 31, 2001 for past employees was $3,332 (2000 - $2,755).

8. LANDFILL CLOSURE AND POST-CLOSURE LIABILITY

The Region currently owns and operates one active landfill site and six closed landfill sites. The total estimated expenditure (using a discount factor of 6.0% less an estimated inflation factor of 3.0%) for closure and post-closure costs are $3,628 (2000 - $3,704). The amount reported on the Consolidated Statement of Financial Position is $3,160 (2000 - $3,222) and the amount remaining to be recognized is $468 (2000 - $482).

The Region is responsible for post-closure at the six inactive sites, which includes the monitoring of ground and surface water, leachate and gas, ongoing maintenance and annual reporting, for a period of 40 years. Closure costs include final cover and vegetation, drainage control features, leachate control or monitoring systems, water quality monitoring systems, gas monitoring and recovery, land acquisition (buffer zones), site remediation, and site closure reports.

The liability for closure and post-closure care is recognized as the capacity of each site is used. For any closed sites, 100% of the liability is recognized. It is estimated that sufficient landfill capacity exists at the active site for an additional 22 years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9. DEFERRED REVENUE

Deferred revenue represents Development Charges collected from growth related residential and commercial building activity in accordance with the Development Charges Act 1997. Detail of the activity affecting deferred revenue is provided in Schedule 5.

10. AMOUNTS TO BE RECOVERED IN FUTURE YEARS

Amounts to be recovered in future years represent the necessity of the Region of Durham to raise funds in future years to finance unfunded liabilities.

	2001	2000
Unfunded post employment benefits	$ 59,405	$ 55,469
Solid waste landfill closure and post closure costs	3,160	3,222
Debenture debt	159,252	158,737
Less debenture debt recoverable for Other Municipalities and School Boards	(67,589)	(66,206)
Total amounts to be recovered in future years	154,228	151,222
Funding available from reserves and reserve funds		
Sick leave reserve	16,246	12,699
Workers compensation reserve fund	8,563	8,502
	24,809	21,201
Amounts to be recovered from future reveune	$ 129,419	$ 130,021

11. CLASSIFICATION OF EXPENDITURES BY OBJECT

The Consolidated Statement of Financial Activities presents the expenditures by function; the following classifies those same expenditures by object:

	2001	2000
Salaries, wages and employee benefits	$ 202,105	$ 168,864
Operating materials and supplies	56,925	57,061
Contracted services	44,132	43,081
Rents and financial expenses	16,808	10,076
External transfers to others	104,924	112,037
Capital assets	96,743	68,469
Debenture interest	5,801	4,615
Total expenditures by object	$ 527,438	$ 464,203

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12. PENSION AGREEMENTS

The Region makes contributions to the Ontario Municipal Employees Retirement Fund (OMERS), which is a multi-employer plan, on behalf of 3,520 Regional employees. The plan is a defined benefit plan that specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay. No amount was contributed to OMERS in 2001 or 2000 for current service.

The OMERS Board implemented a temporary contribution reduction effective January 1, 1998, followed by a temporary contribution holiday for active members and participating employers effective August 1, 1998. The contribution holiday ends on December 31, 2002 and the contribution rates will begin to rise gradually, by equal amounts, until 2005. While the contribution holiday is in effect, Regional Council authorized the transfer of savings from the 2% reduction to the Sick Leave Reserve, with the remaining savings being set aside in the Capital Construction Reserve, to reduce any future debenture requirements for certain capital projects.

13. CONTRACTUAL OBLIGATIONS

(a) Sanitary Sewerage System

In 1997, the Regional Municipality of Durham and the Regional Municipality of York jointly purchased certain sanitary sewerage systems from the Province of Ontario and entered into a joint operating agreement, whereby Durham will operate and maintain these facilities. Each co-owner is responsible for its share of the operating costs based on actual flows.

(b) Lease Commitments

The Region has commitments under various building lease agreements expiring in 2002 to 2006. These leases require approximate annual rental payments for the next five years as follows:

2002	$ 5,150
2003	4,103
2004	2,709
2005	1,372
2006	511

14. CONTINGENCY

The Region has been named as the defendant in certain legal actions in which damages have been sought. The outcome of these actions is not determinable as at December 31, 2001, and accordingly, no provision has been made in these financial statements for any liability that may result.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15. SOCIAL HOUSING REFORM ACT

Effective January 1, 2001, under the provisions of Bill 128 the Province of Ontario transferred the social housing units of the Ontario Housing Corporation located in the Region to the Durham Region Local Housing Corporation (DRLHC), under the provisions of the Ontario Business Corporations Act, with the Regional Municipality of Durham as the sole shareholder. Financial activities of the DRLHC are reported on a consolidated basis with the financial activities of the Region.

Income producing properties acquired as a result of the transfer were originally financed by the Province of Ontario through general obligation provincial debentures. At the time of the transfer of ownership of the LHC to the Region, the Province did not transfer the responsibility for the repayment of the debentures. Accordingly, neither the value of the income producing properties nor the value of the related provincial debentures were recorded on the DRLHC's financial statements. The remaining assets and liabilities acquired were recorded at book value resulting in a contributed surplus of $230.

16. TRUST FUNDS

Trust Funds administered by the municipality amounting to $865 (2000 - $929) have not been included in the Consolidated Statement of Financial Position nor have their operations been included in the Consolidated Statement of Financial Activities. The Trust Funds are reported on separately.

17. BUDGET FIGURES

The approved operating and capital budgets for 2001 are reflected on the Consolidated Schedule of Operating Fund Financial Activities, Consolidated Schedule of Capital Fund Financial Activities, and the Consolidated Statement of Financial Activities. The budgets established for the Capital Fund operations are on a project oriented basis, the costs of which may be carried out over one or more years and, therefore, may not be comparable with the current years actual amounts. As well, the municipality does not budget for activity within Reserves and Reserve Funds, with the exception being those transactions which affect either the Operating or Capital Funds.

Financial Statements: Supporting Schedules

THE CORPORATION OF THE REGIONAL MUNICIPALITY OF DURHAM

Consolidated Schedule of Operating Fund Financial Activities

Year ended December 31, 2001
(All figures rounded to the nearest thousand) **Schedule 1**

	2001		2000
	Budget (Note 17)	Actual	Actual (Note 3)
REVENUE			
Regional taxes (including supplementary taxes)	$ 262,099	$ 273,966	$ 251,870
User charges			
Water and sewer	72,105	77,741	72,201
Other	38,301	39,381	39,330
Grants			
Government of Canada	40	630	51
Province of Ontario	122,692	100,301	102,442
Fine revenue	4,976	4,687	215
Development charges - Schedule 5 (Note 9)	6,434	6,410	6,002
Other	10,744	20,440	13,048
TOTAL REVENUE	517,391	523,556	485,159
EXPENDITURE			
General government	15,685	17,608	15,347
Protection to persons and property	84,394	88,298	68,539
Transportation services	28,117	27,712	26,353
Environmental services	88,318	84,663	81,170
Health services	32,102	30,747	24,090
Social and family services	158,417	137,532	141,954
Social housing	38,744	38,324	30,200
Planning and development	4,565	4,497	5,829
TOTAL EXPENDITURE	450,342	429,381	393,482
NET REVENUE	67,049	94,175	91,677
FINANCING ACTIVITIES			
Debt principal repayments	(7,711)	(5,868)	(5,037)
Increase (Decrease) in post employment benefits	-	3,936	(2,826)
Decrease in landfill closure and post closure liabilities	-	(62)	-
Transfer from reserves and reserve funds	5,826	1,887	3,092
Transfer to capital fund	(39,910)	(38,830)	(30,218)
Transfer to reserves and reserve funds	(25,254)	(55,008)	(56,688)
NET FINANCING ACTIVITIES	(67,049)	(93,945)	(91,677)
CHANGE IN FUND BALANCE	-	230	-
FUND BALANCES, BEGINNING OF YEAR	-	-	-
FUND BALANCES, END OF YEAR	$ -	$ 230	$ -

THE CORPORATION OF THE REGIONAL MUNICIPALITY OF DURHAM

Consolidated Schedule of Capital Fund Financial Activities

Year ended December 31, 2001
(All figures rounded to the nearest thousand) **Schedule 2**

	2001 Budget (Note 17)	2001 Actual	2000 Actual
REVENUE			
Grants			
Government of Canada	$ 425	$ -	$ -
Province of Ontario	1,560	373	-
Development charges - Schedule 5 (Note 9)	22,193	16,763	20,680
Contribution from developers	210	1,830	3,302
Area municipal recoveries	1,120	3,905	1,674
Other revenue	-	3,221	6,340
TOTAL REVENUE	25,508	26,092	31,996
EXPENDITURE			
General government	2,790	2,175	2,409
Protection to persons and property	18,466	8,768	6,024
Transportation services	23,320	21,277	18,557
Environmental services	44,463	32,753	29,869
Health services	2,115	809	1,969
Social and family services	1,360	29,924	9,548
Social housing	1,547	896	6
Planning and development	118	141	87
TOTAL EXPENDITURE	94,179	96,743	68,469
NET EXPENDITURE	(68,671)	(70,651)	(36,473)
FINANCING ACTIVITIES			
Proceeds from long term debt	12,696	5,000	25,000
Transfer from operating fund	39,910	38,830	30,218
Transfer from reserves and reserve funds	16,065	31,189	20,467
NET FINANCING AND TRANSFERS	68,671	75,019	75,685
CHANGE IN FUND BALANCE	-	4,368	39,212
FUND BALANCE, BEGINNING OF YEAR	-	52,969	13,757
FUND BALANCE, END OF YEAR	$ -	$ 57,337	$ 52,969

THE CORPORATION OF THE REGIONAL MUNICIPALITY OF DURHAM

Consolidated Schedule of Reserves and Reserve Funds Financial Activities

Year ended December 31, 2001
(All figures rounded to the nearest thousand) **Schedule 3**

	2001		2000
	Budget (Note 17)	Actual	Actual
REVENUE			
Other	$ -	$ 20,705	$ 7,715
TOTAL REVENUE	-	20,705	7,715
EXPENDITURE			
General government	-	48	1,546
Protection to persons and property	-	645	451
Transportation services	-	476	194
Environmental services	-	13	60
Health services	-	5	-
Social and family services	-	-	1
Planning and development	-	127	-
TOTAL EXPENDITURE	-	1,314	2,252
NET REVENUE	-	19,391	5,463
TRANSFERS			
Transfer from operating fund	25,254	55,008	56,688
Transfer to capital fund	(16,065)	(31,189)	(20,467)
Transfer to operating fund	(5,826)	(1,887)	(3,092)
NET TRANSFERS	3,363	21,932	33,129
CHANGE IN FUND BALANCE	3,363	41,323	38,592
FUND BALANCE, BEGINNING OF YEAR	-	240,226	201,634
FUND BALANCE, END OF YEAR	$ 3,363	$ 281,549	$ 240,226

THE CORPORATION OF THE REGIONAL MUNICIPALITY OF DURHAM

Consolidated Schedule of Continuity of Reserve Funds

Year ended December 31, 2001

(All figures rounded to the nearest thousand) **Schedule 4**

	Treatment Plant/ Rate Stabilization		Regional Share of Non-Residential Development			
	Sanitary Sewage	Water Supply	Sanitary Sewage	Water Supply	Solid Waste Management	Industrial Land
BALANCE, BEGINNING OF YEAR	$ 42,606	$ 27,431	$ 3,083	$ 2,425	$ 11,168	$ 1,066
REVENUE						
Interest on investments	2,027	1,299	145	113	559	44
Contribution from operating fund	4,979	3,293	-	-	1,124	-
TOTAL REVENUE	7,006	4,592	145	113	1,683	44
EXPENDITURE						
Other	-	-	-	-	-	127
TOTAL EXPENDITURE	-	-	-	-	-	127
BALANCE, END OF YEAR	$ 49,612	$ 32,023	$ 3,228	$ 2,538	$ 12,851	$ 983

	Foreign Exchange	Roads Property Acquisition	Workers' Compensation	Emergency Medical Services	911 Emergency Telephone System	General Levy Stabilization
BALANCE, BEGINNING OF YEAR	$ 3,484	$ 282	$ 8,887	$ 385	$ 60	$ 40,794
REVENUE						
Interest on investments	164	13	452	19	3	1,727
Contribution from operating fund	-	-	1,161	-	-	14,373
TOTAL REVENUE	164	13	1,613	19	3	16,100
EXPENDITURE						
Contribution to operating fund	-	-	-	-	-	1,126
Contribution to capital fund	-	-	-	-	-	10,000
TOTAL EXPENDITURE	-	-	-	-	-	11,126
BALANCE, END OF YEAR	$ 3,648	$ 295	$ 10,500	$ 404	$ 63	$ 45,768

	York/Durham Sanitary Sewage	Highway #2	Insurance	Durham University Centre	Social Housing	Roads Rehabilitation	Total
BALANCE, BEGINNING OF YEAR	$ 2,979	$ 503	$ 11,193	$ 11	$ -	$ -	$ 156,357
REVENUE							
Interest on investments	148	34	555	16	37	36	7,391
Contribution from operating fund	175	250	1,141	350	1,074	1,104	29,024
Other	-	-	140	-	1,178	-	1,318
TOTAL REVENUE	323	284	1,836	366	2,289	1,140	37,733
EXPENDITURE							
Contribution to operating fund	-	-	-	-	-	-	1,126
Other	-	-	1,187	-	-	-	1,314
Contribution to capital fund		170	-	-	-	1,140	11,310
TOTAL EXPENDITURE	-	170	1,187	-	-	1,140	13,750
BALANCE, END OF YEAR	$ 3,302	$ 617	$ 11,842	$ 377	$ 2,289	$ -	$ 180,340

THE CORPORATION OF THE REGIONAL MUNICIPALITY OF DURHAM

Consolidated Schedule of Continuity of Deferred Revenue

Year ended December 31, 2001
(All figures rounded to the nearest thousand)

Schedule 5

	Sanitary Sewage Residential & Commercial	Water Supply Residential & Commercial	Regional Roads Residential & Commercial	Waste Disposal Residential	Administrative Facilities Residential	Police Residential	Homes For the Aged Residential	Development Charge Study Residential	GO Transit	Total
BALANCE, BEGINNING OF YEAR	$ 21,718	$ 39,112	$ 11,705	$ 4,096	$ 1,894	$ 1,815	$ 379	$ 43	$ -	$ 80,762
Increase in deferred revenue										
Interest	1,093	1,831	530	193	90	79	23	2	-	3,841
Development charges	10,460	18,283	7,473	-	-	693	296	39	9	37,253
	11,553	20,114	8,003	193	90	772	319	41	9	41,094
Application of deferred revenue										
Contribution to operating fund for growth related debentures										
Sanitary Sewerage	2,178	-	-	-	-	-	-	-	-	2,178
Water Supply	-	4,232	-	-	-	-	-	-	-	4,232
Contribution to capital fund	2,094	9,207	5,096	-	-	366	-	-	-	16,763
TOTAL APPLICATION	4,272	13,439	5,096	-	-	366	-	-	-	23,173
BALANCE, END OF YEAR	$ 28,999	$ 45,787	$ 14,612	$ 4,289	$ 1,984	$ 2,221	$ 698	$ 84	$ 9	$ 98,683

Trust Funds: Financial Statements and Auditors' Report

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Deloitte
& Touche

Auditors' Report

To the Members of Council, Inhabitants
and Ratepayers of the Corporation of the
Regional Municipality of Durham

We have audited the balance sheet of the trust funds of the Corporation of the Regional Municipality of Durham as at December 31, 2001 and the statement of continuity of the trust funds for the year then ended. These financial statements are the responsibility of the Region's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as explained in the following paragraph, we conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

The trust funds of the Corporation of the Regional Municipality of Durham derive the majority of their receipts in the form of contributions on behalf of the residents of the Homes for the Aged, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of such receipts was limited to the amounts recorded in the records of the trust funds and we were not able to determine whether any adjustments might be necessary to receipts, assets or funds balance at the end of the year.

In our opinion, except for the effect of adjustments, if any, which we might have determined to be necessary had we been able to satisfy ourselves concerning the completeness of trust fund receipts referred to in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the trust funds of the Corporation of the Regional Municipality of Durham as at December 31, 2001 and the continuity of trust funds for the year then ended in accordance with the accounting principles disclosed in the Notes to the financial statements.

Deloitte & Touche LLP

Chartered Accountants

Toronto, Ontario
June 14, 2002

Deloitte
Touche
Tohmatsu

THE CORPORATION OF THE REGIONAL MUNICIPALITY OF DURHAM

Trust Funds - Statement of Continuity

Year Ended December 31, 2001
(All figures rounded to the nearest thousand)

	Total	Homes for the Aged			Campbell	Social	Miscellaneous
		Residents	Donations	Bequests	Bequest	Services	Donations
BALANCE, BEGINNING OF YEAR	$ 929	$ 597	$ 133	$ 134	$ 1	$ 3	$ 61
RECEIPTS ON BEHALF OF:							
Residents	1,826	1,771	50	5	-	-	-
Recipients	44	-	-	-	-	32	12
Interest earned	31	20	6	4	-	-	1
Total receipts	1,901	1,791	56	9	-	32	13
EXPENDITURES ON BEHALF OF:							
Residents	1,922	1,870	45	7	-	-	-
Recipients	43	-	-	-	-	32	11
Total expenditures	1,965	1,870	45	7	-	32	11
BALANCE, END OF YEAR	$ 865	$ 518	$ 144	$ 136	$ 1	$ 3	$ 63

Balance Sheet

As at December 31, 2001

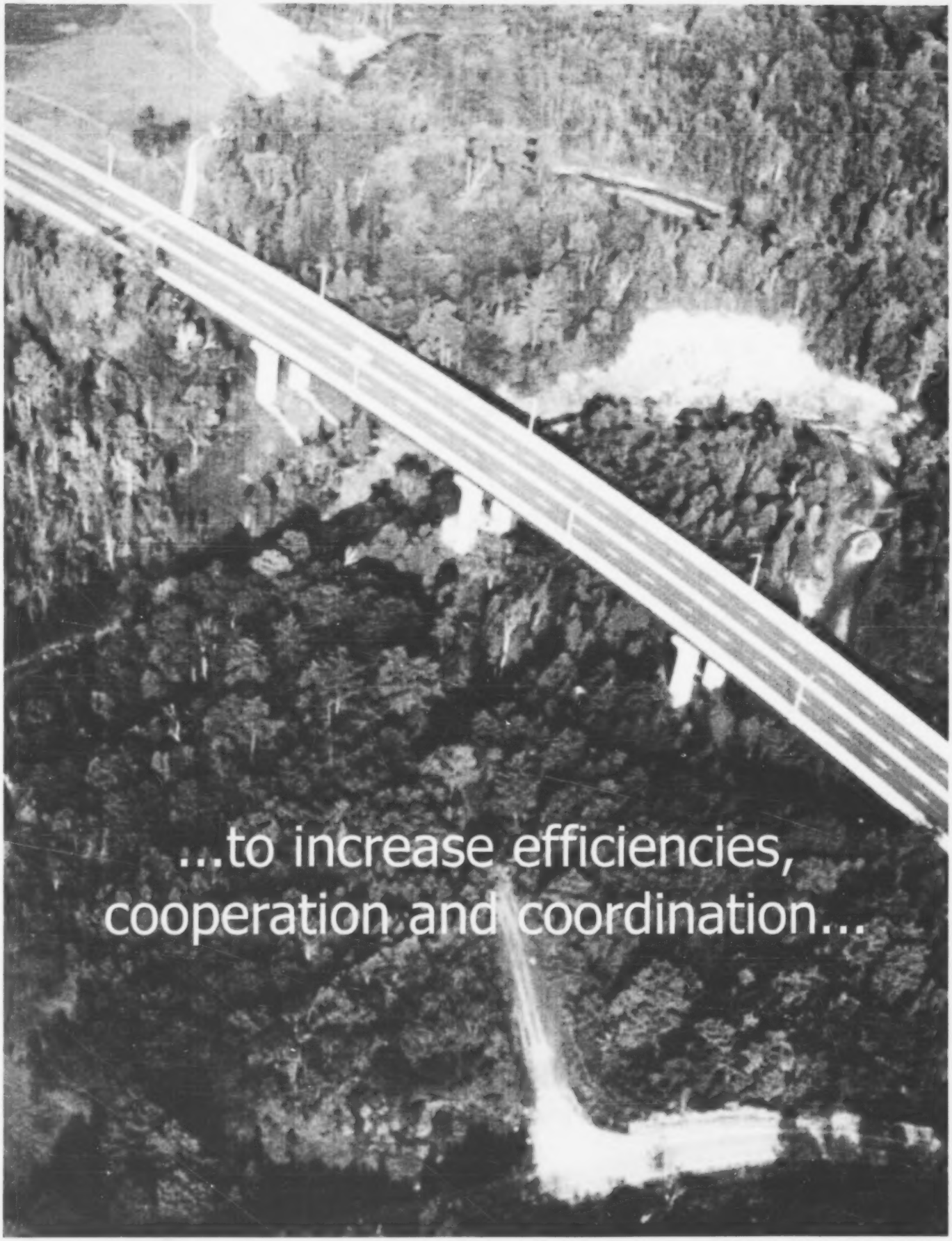
	Total	Homes for the Aged			Campbell	Social	Miscellaneous
		Residents	Donations	Bequests	Bequest	Services	Donations
ASSETS							
Cash and accrued interest	$ 865	$ 518	$ 144	$ 136	$ 1	$ 3	$ 63
FUND BALANCE	$ 865	$ 518	$ 144	$ 136	$ 1	$ 3	$ 63

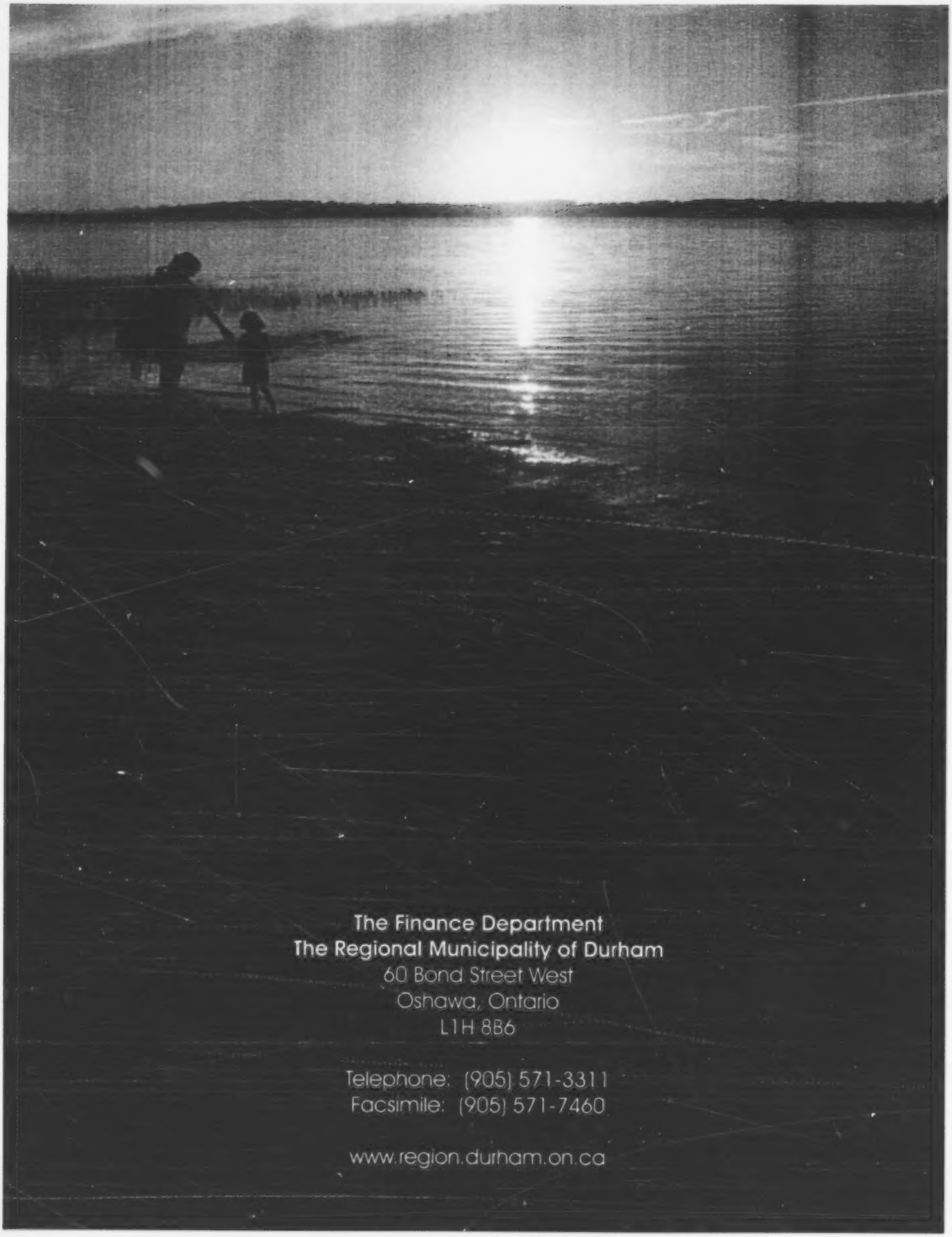
NOTE TO TRUST FUNDS FINANCIAL STATEMENT - DECEMBER 31, 2001

1. **Significant Accounting Policy**

Basis of Accounting

Receipts and expenditures are reported on the cash basis of accounting with the exception of interest income which is reported on the accrual basis.


...to increase efficiencies,
cooperation and coordination...



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